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# ***JPRS Report***

## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

JPRS-UEA-89-024

### CONTENTS

25 JULY 1989

#### NATIONAL ECONOMY

##### ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

Statute on Implementation of Leasing Relations Published [ <i>EKONOMICHESKAYA GAZETA</i> No 19, May 89]	1
Bank Reform Measures Assessed	5
Tighter Monetary Policy [N.V. Garetsky; <i>DENGI I KREDIT</i> No 5, May 89]	5
New System Criticized [V. Rudko-Silivanov; <i>PRAVDA</i> , 21 Jun 89]	16
Market Economy Requires Shifts in Attitudes, Values [D. Lvov, et al.; <i>IZVESTIYA</i> , 12 May 89]	18

##### PLANNING, PLAN IMPLEMENTATION

Reform of State Order System Needed [P. Bunich; <i>MATERIALNO-TEKHNICHESKOYE SNABZHENIYE</i> No 5, May 89]	22
Discussion Reveals Obstacles, Limits to Wholesale Trade System [L.A. Voronin; <i>MATERIALNO-TEKHNICHESKOYE SNABZHENIYE</i> No 4, Apr 89]	28

##### INVESTMENT, PRICES, BUDGET, FINANCE

NEP Lesson Warns Against Fixed Price Policy [B. Pinsker; <i>SOTSIALISTICHESKAYA INDUSTRIYA</i> , 4 May 89]	37
Excess Currency Contributes to 'Stagflation' [A. Khandruyev; <i>PRAVITELSTVENNIY VESTNIK</i> No 11, May 89]	39

##### INDUSTRIAL DEVELOPMENT, PERFORMANCE

Progress in Reducing Overhead Costs in Industry Reviewed [V.S. Levin; <i>FINANSY SSSR</i> No 5, May 89]	41
------------------------------------------------------------------------------------------------------------	----

##### REGIONAL DEVELOPMENT

Panel Studies Transformation of AzSSR to Economic Autonomy [Z. Samed-zade, et al.; <i>BAKINSKIY RABOCHIY</i> , 4 May 89]	44
Kirghiz Light Industry 'Tentatively' Introduces Leasing [A. Jordan; <i>PRAVITELSTVENNIY VESTNIK</i> No 9, May 89]	48

#### AGRICULTURE

##### AGRO-ECONOMICS, POLICY, ORGANIZATION

Institute Director on Democratization, Agro-Economic Reform [V.B. Ostrovskiy; <i>STEPNIYE PROSTORY</i> No 4, Apr 89]	51
-------------------------------------------------------------------------------------------------------------------------	----

##### REGIONAL DEVELOPMENT

Peasant Farm Movement Progresses in Estonia	54
Estonian Peasant Farming [A. Voznesenskiy; <i>ZEMLEDELIYE</i> No 5, May 89]	54
Type of Farmer Needed [L. Rannamets; <i>IZVESTIYA</i> , 23 Apr 89]	56
Family Farms [S. Kuznetsov; <i>SELSKAYA ZHIZN</i> , 4 May 89]	56

## MAJOR CROP PROGRESS, WEATHER REPORTS

Weather, Crops in Uzbekistan Reported .....	56
Late May Weather [N. Alesko; SELSKAYA PRAVDA, 24 May 89] .....	56
Early June Weather [I. Umnova; SELSKAYA PRAVDA, 6 Jun 89] .....	57
Start-Up of Grain Harvesting [Ye. Velichanskaya; SELSKAYA PRAVDA, 25 May 89] .....	57

## CONSTRUCTION

### POLICY, ORGANIZATION

Restructuring Problems in Cement Plant Recounted [I. A. Khodykin; TSEMENT No 5, May 89] ...	59
---------------------------------------------------------------------------------------------	----

## CONSUMER GOODS, DOMESTIC TRADE

### POLICY, ORGANIZATION

Continued Price Controls Justified [V. Pavlov; TRUD, 21 May 89] .....	61
-----------------------------------------------------------------------	----

## FOOD PROCESSING, DISTRIBUTION

Foreign Trade Underdevelopment Affects Food Supplies [A. Ivashchenko; SELSKAYA ZHIZN, 17 Jun 89] .....	64
Packaging Problems in Food Industry Discussed [M. Bakanov, et al.; SOVETSKAYA TORGOVLYA No 5, May 89] .....	66

## GOODS PRODUCTION, DISTRIBUTION

Confusion Over Rising Prices, Clothing Indices [A. Kannabikh, M. Yakovleva; SOTSIALISTICHESKAYA INDUSTRIYA, 4 May 89] .....	69
--------------------------------------------------------------------------------------------------------------------------------	----

## PERSONAL INCOME, SAVINGS

Impact of Proposed Income Tax Law Assessed [P. Korotkov; EKONOMICHESKAYA GAZETA No 19, May 89] .....	70
Disparities in Personal Income, Labor Distribution Raise Concern [A. Kovalev; EKONOMICHESKAYA GAZETA No 25, Jun 89] .....	72

## ENERGY

### FUELS

Petroleum Industry Economic Performance Detailed [NEFTYANOYE KHOZYAYSTVO No 4, Apr 89] .....	76
Call For Increased Oil Production Questioned [N. Lisovskiy, et al; SOTSIALISTICHESKAYA INDUSTRIYA, 18 May 89] .....	81

## LABOR

LiSSR Trade Unions Debate Autonomy Within USSR Framework [V. Pisarchik; TRUD, 2 Jul 89] .....	83
Goskomstat Handbook on Living Standards Published .....	84
Handbook Reviewed [Ye. Kapustin, L. Rzhanitsyna; EKONOMICHESKAYA GAZETA No 21, May 89] .....	84
Worker Income Figures [EKONOMICHESKAYA GAZETA No 21, May 89] .....	85
Improvements in Social Insurance Needed [V.D. Roiko; EKONOMICHESKAYA GAZETA No 22, May 89] .....	86
Politizdat Publishing Guidebook on Co-op Regulations [TRUD, 8 Jul 89] .....	89

## MACHINE BUILDING

### TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

- Soviet-West German Venture Produces Microcomputers  
[N. Yakovlev; *SOTSIALISTICHESKAYA INDUSTRIYA*, 15 Jul 89] ..... 90
- Machine Building Ventures With Bulgaria Viewed  
[A. Trifonov; *SOTSIALISTICHESKAYA INDUSTRIYA*, 5 Jul 89] ..... 90

## TRANSPORTATION

### CIVIL AVIATION

- Ruslan Aviation Firm Created  
[V. Vernodubenko; *PRAVITELSTVENNIY VESTNIK* No 9, May 89] ..... 92
- An-72 Light Transport Profiled [V.M. Zayarin; *GRAZHDANSKAYA AVIATSIYA* No 5, May 89] .. 92

### RAIL SYSTEMS

- New Commercial Railroad Bank Created [M. Kaganskiy; *GUDOK*, 21 May 89] ..... 97
- Rolling Stock Condition, Repairs Examined [GUDOK, 19 May 89] ..... 99
- Deputy Clarifies Rail Ministry Statute [V. N. Ginko; *GUDOK*, 21 Apr 89] ..... 100
- Collegium Investigates October Rail Traffic Safety Laxity [GUDOK, 4 May 89] ..... 103
- Tynda Conference Examines BAM's Future [T. Andreyeva; *GUDOK*, 27 Apr 89] ..... 104

### MARITIME AND RIVER FLEETS

- Quality, Modern Equipment for Ships Lacking  
[V. Kontsedalov; *VODNIY TRANSPORT*, 20 Apr 89] ..... 106
- Deputy Minister Comments on Nuclear Lighter Issue  
[N. Tsakh; *VODNIY TRANSPORT*, 27 Apr 89] ..... 109
- Civilian Nuclear Fleet Personnel Replacements Pondered  
[A. Sinyayev; *VODNIY TRANSPORT*, 11 May 89] ..... 111



## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Statute on Implementation of Leasing Relations Published

18200355 *EKONOMICHESKAYA GAZETA* in Russian  
No 19, May 89 pp 7-8

["Statute on the Economic and Organizational Bases of  
Leasing Relations in the USSR"]

[Text] The economic relations of lessee and lessor are based on the Ukase of the USSR Supreme Soviet Presidium "On Leases and Leasing Relations in the USSR" and the present Statute depending on the type of lease: enterprise (organization) property lease, intrafarm lease (lease contract), family or individual lease. Conditions of transfer of means of production, the procedure for computing lease payments, interrelations with the state budget, and forms and methods of interaction of lessee and lessor are determined accordingly.

#### I. Leasing the property of a state enterprise (organization)

1. The collective of a state enterprise (organization) or structural unit of an association, hereafter called "state enterprise," may with the consent of the higher organ of that enterprise (association), form an organization of lessees as an independent juridical person for the purpose of leasing the property of a state enterprise as a whole and using it as a base for economic activity.

2. The general meeting of lessees, which elects a council (board) and a chairman of the council (board), is the highest organ of management of the lessees' organization.

3. The council (board) drafts the contract of transfer of the state enterprise's property on a lease basis to the lessees' organization and on the basis of powers derived from the general meeting of lessees concludes a lease contract with the enterprise's higher organ.

4. The activity of the lessees' organization is based on the principle of full economic accountability and self-management in accordance with its charter which is drawn up in agreement with the lessor and recorded with the USSR Ministry of Finance.

5. State enterprise property that is leased to the lessees' organization remains the property of the state. Products produced by the lessees' organization is the organization's property.

The proceeds realized by the lessees' organization from the sale of products are used first of all to make the lease payment and to pay material costs and material-equivalent costs. Amortization deductions in the lease payment are not included among material costs and material-equivalent costs. Taxes and other payments to the budget and interest on loans are paid from the balance of the

proceeds. The cost-accounting income that is left at the disposal of the lessees' organization is used for the organization's own interests.

Losses inflicted on other organizations and the state by the lessees' organization are compensated and fines, penalties, and other legislatively established sanctions are paid out of the organization's cost-accounting income. Sums received by the lessees' organization for the compensation of its losses, and sanctions augment its cost-accounting income.

The lease contract specifies the sum (in absolute terms or as a share of cost-accounting income) that the lessees' organization allocates for the development of production and science and technology.

6. The rational correlation of the share of cost-accounting income that is used for reproduction and the share of payroll funds is secured by the system of taxation. Until this system of taxation is introduced, the lessees' organization secures the relatively more rapid growth of cost-accounting income calculated in an ascending total from the beginning of the year over the growth rate of actually expended payroll funds. With the consent of the contracting parties, the contract may specify that a certain share of cost-accounting income shall be used to pay wages.

In 1989-1990, the correlation between the growth rates of the labor remuneration fund and income growth rates are established on the basis of previously approved norms.

7. The lessees' organization sells its products for wholesale, purchase or contract prices according to the procedure established for state enterprises. At the same time, the lessees' organization acquires raw materials, supplies, and other material-technical resources for existing wholesale or contract prices under a procedure and conditions established for state enterprises.

The lessees' organization sells products produced in excess of the volume indicated in the lease contract at its discretion unless otherwise specified in the contract or legislation.

The lessor may assume the obligation to acquire from the lessee products produced by the latter.

8. The lease contract specifies the absolute sum of the lease payment (broken down by year). The lease payment includes amortization deductions for the full replacement of fixed capital and resources in the repair fund in a share that depends on the degree of the lessor's participation in the reproduction of fixed capital, and payments to centralized funds and the lessor's reserves.

The lease payment does not include the sum of taxes (payments to the budget) and deductions to the state social insurance fund.

9. The lease contract specifies mandatory payments to the budget. The size of the payments is based on:

- the value of fixed capital and own working capital that are leased and their enhancement by the budget and the lessor;
- available labor resources at the time the contract is concluded and projected changes in the size of the work force;
- payments from gross income to the state and local budget that are used to determine the economic distribution of incomes between the state enterprise and the budget;
- the volume of natural resources used in production.

The size of mandatory payments may be revised only when there is change in centrally established prices, amortization norms, and norms governing payments to the repair fund.

The overall sum of payments for 1989-1990 must be within the amounts adopted in the initial data for these years.

10. In order to increase the interest of lessees' organizations in leasing the property of state enterprises with a low profit margin, in using plant and equipment with a substantial degree of wear, in using relatively unproductive land and old buildings, the lessor may grant special terms (lower lease payments, deferred payments, etc.).

11. The lessor may grant the lessee subsidies for the expansion of production and the solution of social problems on the basis of state centralized capital investments allocated to the lessee or on the basis of the lessee's own capital on the condition that the latter assumes the obligation to increase production and improve the quality of products (work, services).

The lessor may extend commercial credit to at lower interest rates to lessees of marginally profitable state enterprise or may render gratuitous assistance on the basis of centralized funds and reserves (risk funds).

12. In order to increase the interest of members of the lessees' organization in creating new productive capital, part of the annual cost of increasing productive fixed capital on the basis of own funds may be assigned to a special account—the shared fund of members of the lessees' organization. This fund is distributed among members of the lessees' organization and is paid to their personal accounts in proportion to their actual labor contribution. Interest, the rate of which is determined annually by the general meeting of lessees, is calculated for this cost-accounting income.

The income received by members of the lessees' organization every year in the form of interest accumulates in their personal accounts and may be used at their discretion.

The procedure for forming and using the shared fund is determined by the charter of the lessees' organization.

If a lessee withdraws from the organization, he may retain the right to receive his share of the income if the general meeting of the lessees' organization so decides.

When a lessee retires on pension, he retains the right to receive the indicated income.

If the lessees' organization is abolished, sums in the shared fund are paid out to members of the lessees' organization and to other persons retaining the right to receive income from this fund.

13. The lessees' organization independently determines the forms and system of labor remuneration, the length and schedule of the workday, the number of shifts, and the procedure for granting days off and leave. Members of the lessees' organization receive annual paid leave of no less duration than that established for the corresponding categories of workers and employees.

The lessees' organization implements measures to ensure workplace health and safety, production sanitation and hygiene, assigns workers to wage-skill grades, and determines their occupational structure according to norms established for state enterprises.

Pregnant women are assigned to easier work while retaining their average earnings from their previous job. Pregnancy, maternity, and child-care leave as well as other benefits for pregnant women and mothers of young children are granted under the procedure provided for female workers and employees.

For participants in the work who are younger than 18, the lessees' organization offers an abbreviated workday and other benefits provided for workers and employees by existing legislation.

14. When the property of a liquidated state enterprise is leased to a cooperative, lease relations are established with the higher organ to which the enterprise was previously subordinate.

When part of the property of one state enterprise is leased to another enterprise or cooperative, the lease payment includes amortization deductions for the total replacement of fixed capital and the repair fund in the share that depends on the degree of the lessor's participation in the reproduction of fixed capital and contractually specified contributions to the lessor.

15. When all the property of a state enterprise is leased, the lessee becomes the successor to the enterprise's financial and other rights and obligations. The lessor may assume all or part of these obligations.

16. In the interest of creating stable conditions for the work of lessees converted to lease relations before the approval of the present statute, they are authorized to conduct their economic activity on the basis of previously concluded lease contracts.

17. The lessees' organization keeps track of the results of its activity, maintains bookkeeping and statistical accountability under a procedure established for the cooperatives by the state, and bears responsibility for their accuracy.

It is forbidden to demand and submit other accountability that is not established by the state.

18. The total property of cooperative and other public enterprises (organizations) may be leased on the basis of principles provided in the present section.

## II. The intrafarm lease (lease contract)

19. Intrafarm leasing relations may be developed between sovkhozes, kolkhozes, and other enterprises (organizations) on the one hand and collectives of their subdivisions or individual workers on the other, regardless of the form of economic accountability they use.

When all structural subdivisions of a sovkhoz, kolkhoz, or other enterprise (organization) are converted to intrafarm leasing relations, they may be transformed into leasing collective cooperatives based on the decision of the general meeting of the work collective (general meeting of kolkhoz members). The decision to so transform a sovkhoz or other state enterprise (organization) must be coordinated with its higher organ. In the event of disagreements, the final decision is made by the USSR ministry or department or republic council of ministers, respectively.

The general meeting of the cooperative of leasing collectives, which elects a council (board) headed by a chairman of the council (board) for the management of its routine affairs, is the highest organ of management of the cooperative of leasing collectives.

The enterprise (organization) independently approves the Statute on the Intrafarm Lease; establishes accounting prices and rates on products, work, and services; and improves forms of accounting of material and other costs by leasing collectives.

20. The Intrafarm Lease Contract determines the extent and procedure of participation of the leasing collective in the expenditures and payments of the enterprise (organization), including expenditures on the development of production and science and technology on social needs.

In the event of changes in prices and other economic conditions, the amount of the lease payment may be revised with the consent of the parties.

21. Under an intrafarm lease, the enterprise (organization) engages in centralized transactions with the budget, bank and higher organ according to the procedure established for the given form of economic accountability and according to the performance of the enterprise (organization) as a whole. It retains the function of planning the basic product mix and volume of production (work, services) and also carries out a unified technical policy as well as carrying out retooling and reconstruction on the basis of general enterprises (organization) plans.

Sovkhozes, kolkhozes, and other agricultural enterprises may on a contract basis give leasing collectives of subdivisions the right to independently realize their output (work, services), to use their income for the remuneration of labor, for the payment of taxes, for making payments to the budget, and for making social insurance deductions. Such leasing collectives may open accounts in bank institutions or in financial-clearing centers.

22. The lease payment in intrafarm leasing in agriculture is established in a contract with the agreement of the parties in the form of a fixed payment per hectare of arable (farm) land, of normative deductions in percent of cost-accounting (gross) income or through the application of intrafarm accounting prices.

23. Under an intrafarm lease, the lessor may, with the consent of the lessee, conclude in his name contracts to insure crops, livestock, and other property with USSR Gosstrakh. In such a case the size of the lease payment is not revised in the event of a natural disaster or other insurance event.

If crops, livestock, and other property belonging to the lessee are insured by the lessor and if the lessee does not receive the contractually specified volume of produce because of a natural disaster or other insurance event, the lease payment is reduced by the sum of insurance compensation received by the lessor.

24. In an intrafarm lease, the lessor may extend commercial credit to the lessee or may render gratuitous financial assistance to the lessee.

25. Products (work, services) produced/performed by the lessee in accordance with the contract are sold to the lessor. Products produced in excess of the volume specified in the contract are placed at the disposal of the lessee and are realized at his discretion unless otherwise indicated in the contract or legislation.

26. The enterprise (organization) may give the leasing collective of a subdivision the right to conclude economic contracts in the name of the enterprise (organization). The leasing collective bears responsibility for its property under the indicated contracts. In the event of an insufficiency of property, responsibility for the obligations of the leasing collective is borne by an enterprise (organization) acting as guarantor. Such leasing collectives are entitled to open bank accounts.

27. Intrafarm leasing collectives in agriculture independently develop the structure of production and approve the production program with due regard to the obligations indicated in the lease contract.

The lease contract may specify the lessee's obligation to produce and sell products for state purchase and contract prices to the lessor (or in his name to procurement and processing enterprises and organizations).

28. The income of leasing collectives form from the proceeds that remain after the lease payment, after material costs have been compensated, and other contractually specified payments have been made to the enterprise (organization). The income that is left to the lessor is used independently by the lessor and may not be confiscated. Leasing collectives have the obligation to see to it that the income that is left at their disposal increases at a faster rate than the labor remuneration fund.

29. The contract defines measures of economic and other responsibility of the parties for the nonfulfillment or improper fulfillment of contractual obligations.

30. The intrafarm lease contract in agriculture may entitle the lessee to conclude in the name of the lessor labor contracts with citizens who are not members of the leasing collective for the performance of certain work. The labor of such citizens is remunerated by funds designated for the remuneration of the labor of members of the leasing collective.

31. Sovkhozes, kolkhozes, and other enterprises (organizations) are entitled to lease out plots of land for long periods of time to kolkhoz members and other citizens for the production of agricultural produce on personal household plots and its sale to the lessor or to a consumer's cooperative organization. Plant and equipment and other material assets necessary for the fulfillment of contractual obligations may also be leased out along with the land.

The lessor and consumer cooperative organizations provide material-technical supply and services for personal household plots of citizens that have concluded contracts with kolkhozes, sovkhozes, and consumer cooperative organizations for raising and selling livestock, poultry, potatoes, vegetables, berries, green, fodder, and other crops.

### **III. The family or individual lease in agriculture production and other branches of the national economy**

32. Land and other property may be leased to citizens not connected by labor or membership relations with the lessor (the family or individual lease) in agriculture, industry, transport, trade, the service sphere, and other branches of the national economy.

33. The lessee independently disposes of produce and sells it in any region of the nation, performs work, and renders services independently based on prices and rates

established on the basis of agreement with the consumer. He may voluntarily take it upon himself to fulfill the state order and to sell produce under this order for wholesale, purchase or contract prices.

34. After the lease payment, tax payments, and bank loan payments have been made, the lessee disposes independently of proceeds from the sale of produce (work, services).

35. Lessees have the right to build the necessary productive and nonproductive premises, including housing in observance of general construction rules, with the consent of the lessor.

36. Material-technical supply, transport, repair, and other types of services rendered to lessees in agriculture are according to the procedure and under the conditions established for kolkhozes and sovkhozes.

37. The lessee performs work to raise the fertility of areas of land and to improve the quality of natural objects.

Measures for the radical improvement of land and other natural objects may be financed by the state budget with the consent of the lessee. In these cases, the terms of the contract are reviewed to reflect the actual improvement in the quality of the land.

The lessee is obligated to observe the demands of land and other legislation regarding the use and conservation of natural resources, to not allow the state of a leased land area to deteriorate, and to maintain production facilities and other property in proper condition.

In the event the land is not effectively used, the lessee has the obligation to fully restore the useful properties of the land area within the contractual period or, if this is impossible, to compensate the lessor fully for the damage.

38. The lessee may open a bank account for monetary transactions both at his situs as well as at the place where he markets his produce. He has the right to choose his own bank for credit and other transactions.

39. Under terms coordinated with banking institutions or lessors, lessees may obtain short- or long-term production development loans. Loans may be granted on a competitive basis.

Local Soviets of People's Deputies may allocate to lessees start-up funds and funds for the development of production, for land reclamation, for road and housing construction on a returnable or nonreturnable basis.

40. The lease payment is established in a fixed amount based on the value and state of fixed capital, the economic valuation of the land, and other terms of the lease.



The participation of the lessee in the improvement of leased objects is taken into account in the process of determining the size of the lease payment. Income received by the lessee as a result of his improvement of land, production facilities, and other property does not result in an increase in the size of the lease payment.

41. The lessee pays taxes according to the procedure and in an amount specified in legislation of the USSR and union republics.

42. Oversight over the activity of the lessee to carry out nature conservation, veterinary, and other measures is exercised by the appropriate state services.

### Bank Reform Measures Assessed

#### Tighter Monetary Policy

18200396 Moscow DENG I KREDIT in Russian  
No 5, May 89 pp 3-17

[Article by N.V. Garetovskiy: "Working More Efficiently Under the New Conditions"]

[Text] Bank reform is an important component of the restructuring of the management of the economy. The newly established banking system is gradually gaining experience in working under the contemporary conditions of management and is perfecting a new set of tools for work on the basis of the more extensive utilization of commodity-money relationships and the development of a socialist market. Being an integral part of the entire economic mechanism, it is acting in the process of the systematic realization of the laws on the state enterprise and cooperation.

Fundamentally new in the development of the banking system is the strengthening of its ties with the economy and the shifting of the center of gravity in credit relations with enterprises from the upper echelons to the low-level link, that is, directly to the territorial branches of specialized banks.

Credit policy is also being implemented in a new way. This is expressed above all in the restructuring of the credit relations with the economy and in the more profound orientation of credit investments toward branches of the economy that provide for structural changes in the economy and for the realization of measures for scientific-technical progress and an increase in the production of consumer goods. Credit resources are participating to a greater and greater degree in the implementation of social and economic programs.

A most important task of all banks is that of participating actively in the realization of the program for the financial normalization of the country. The first steps have already been taken in this direction. The process that took place over a long period of annually increasing credit investments in amounts greatly exceeding the increase in the volumes of public production has been

stopped and we have begun to withdraw excess credit resources from the monetary turnover. And whereas in 1987 short-term credit investments declined by 3.3 billion rubles, or by 1.1 percent (under comparable conditions), credit was reduced by 33.0 billion rubles, or 9.9 percent, in 1988. We are gradually implementing the course of eliminating the outstanding credit of individual branches of the economy.

The measures carried out in 1988 made it possible to improve the structure of credit investments, to reduce the share of credits not covered physically, and to improve the situation with respect to the provision of reimbursement in bank credits in comparison with the previous period.

At the same time, all of this should be assessed as the first step in the long and difficult road of the participation of the banking system in the financial normalization of the economy. The monetary-credit mechanism is not yet having the needed effect on the intensification of public production, the acceleration of scientific-technical progress, the saving of resources and the improvement of the quality of output. The success rate of bank control of the efficiency of capital construction is especially low. The amount of incomplete construction is still increasing and new production capacities are not being put into operation on time. We have not yet been successful in bringing about a fundamental change with respect to strengthening the payment discipline of enterprises and organizations. New problems resulting from life itself also arose. Among them, one can single out, for example, the excessive increase in many cases of wages at enterprises in different branches of the national economy unjustified by a corresponding increase in the volumes of the production of output and labor productivity, which had a negative effect on the state of the monetary turnover. To a significant extent, the latter has to do with the insufficient development of its most important link—the mechanism for the formation and utilization of the wage fund—in full cost accounting and self-financing. In 1988, however, the influence of the banks on the observance of planned proportions between accumulation and consumption was passive. In many cases, this problem was not treated in the credit agreements of banks with enterprises. This question was not the focus of attention of the oblast administrations and republic banks.

In defining the basic content and direction of banking activities in the coming period, it is necessary to proceed from the decisions of the 19th All-Union Party Conference and the July (1988) and March (1989) plenums of the CPSU Central Committee aimed at deepening the economic reforms in the country and from the necessity of a systematic restructuring of the style and methods of the work of the banking system as applied to the requirements of the radical economic reform that is taking place under the conditions of complex and contradictory processes. Of course the banking system must do everything it can to help resolve the problems that are arising.

The social reorientation of the economy is becoming more pronounced in 1989 and the proportions between consumption and accumulation in the structure of national income are changing. The share of funds going to consumption and social and cultural development is increasing to 81.6 percent compared with 78.5 percent according to the estimates of the five-year plan for this year. In industry, the increase in the production of consumer articles (group "B") exceeds the increase in the output of the means of production (group "A") by a factor of 2.3. This is the first time that such an advance has been noted.

For the purpose of the practical strengthening of the social direction of the economy, changes have been made in the structure of the distribution of capital investments. We allocated 59.3 billion rubles to the development of the nonproduction sphere. This is 4.1 billion rubles, or 7.4 percent, more than in 1988. The volume of capital investments in this sphere will increase by 11 billion rubles, or 22.7 percent, in comparison with the five-year plan. In the first 4 years of the current five-year plan alone, about 26 billion rubles in capital investments will be shifted from production construction to the development of the nonproduction sphere. The results of the development of the economy in the first quarter of the current year indicate the systematic accomplishment of the adopted course.

The real income of the population is supposed to increase by 3.1 percent in 1989 against 2.7 percent in accordance with the plan for 1988 and the average monthly wage of workers and employees is to increase by 5.8 percent against 3 percent, respectively. These indicators are being overfulfilled. Unfortunately, just as in 1988, individual enterprises are allowing the rate of increase of wages to exceed the rate of increase of labor productivity, whereby the wages are not always composed of funds actually earned by the labor collectives and are not absolutely linked with the final results of the actions of enterprises to increase the production of output.

In the organization of the economic work of banks, it is also necessary to consider such important features in 1989 as the conclusion of the transition to full cost accounting and self-financing of all production branches of the national economy, the reduction of the share of the state order as the directive indicator of the plan in the total volume of production, the substantial increase in the independence of enterprises in the formation of the production program, and the apparent trends in the development of wholesale trade in the means of production.

We will also have to continue to adjust the new economic mechanism. As was noted, not all of its elements have as yet manifested their positive influence on the final results of work. Thus, some enterprises are making excessive use of contractual prices for the purpose of obtaining profit through prices, often with no relation to quality and the improvement of the consumption characteristics of the commodity. This leads to a "washing out" of inexpensive

consumer goods and to the inflationary nature of the increase in profit and allocations to the economic incentive funds. At the same time, we have not yet fully applied economic incentives that would force enterprises to take a different course—that of increasing profit by lowering expenditures for production and overhead.

Or another example. The extensive rights of enterprises in the formation of the plans for profit and its distribution are often realized on the basis of the immediate interests of collectives, when the major part of above-plan profit remaining at their disposal goes primarily to the economic incentive funds and expenditures linked with the improvement of their financial state are postponed for years: for the increase in the standard and reimbursement of shortages in their working capital as well as for the development of production.

It would seem that the indicated problems do not directly involve banking activities. But this is not the case. The banks are not departmental organizations but conductors of primarily public interests. And this is why it is necessary to work constantly on the proposals for the improvement of different aspects of the economic mechanism on a day-to-day basis taking into account the economic processes actually taking place in life and to influence them through banking controls. Thus, if enterprises overfill the target for profit and despite a shortage of own working capital put a significant sum of above-plan profit into the remuneration of labor, bank workers must approach the request of such an enterprise for the extension of credit carefully. All of these new phenomena must be analyzed in detail and considered in the process of the making of credit agreements without allowing an excessive credit coverage of expenditures that may be financed through the own sources of the enterprises.

It is necessary to increase the influence of the banking mechanism on the introduction of scientific-technical achievements by enterprises and associations, to analyze the reasons for the inadequate utilization of this tool last year and to provide for the extensive priority use of credit for the implementation of measures determining scientific-technical progress and the stimulation of the renewal of producer goods.

In 1989, in opening the way for extensive credit in progressive directions, measures should systematically be implemented to pay off loans previously issued to cover mismanagement, losses and prolonged financial shortfalls. Last year, unfortunately, specialized banks did not show the proper persistence in this direction and as a result the established target for the reduction of the indicated loans basically remained unfulfilled.

Insufficient measures were taken to reduce indebtedness on loans extended for the temporary compensation of a shortage of own working capital. The credit plan provided for their repayment in the sum of 2.8 billion rubles. Actually, however, they were reduced by only 1.4 billion rubles. Many ministries and departments have not yet found sources for the liquidation of a portion of the loans that they received for increasing the standard of own working capital, in connection with which the indebtedness under these credits for the customers of USSR Promstroybank and USSR Zhilsotsbank last year declined by only 0.3 billion rubles, or 2.6 percent.

Last year deferred loans under Gosagroprom increased by 3.2 billion rubles instead of the planned reduction of 2 billion rubles by the end of the year. Meanwhile, there are possibilities for paying off the indicated loans. This relates primarily to financially stable farms. For example, 30 percent of the total indebtedness under deferred long-term loans of the RSFSR Gosagroprom are reckoned to highly profitable farms, although the share of net income used to pay off these loans is extremely insignificant.

In 1988, deferred indebtedness on bank loans declined little. As of 1 January 1989, it amounted to 6 billion rubles, that is, the annual target was fulfilled only 25 percent.

Last year the slow release of credit resources previously invested to cover prolonged financial shortfalls restrained the timely satisfaction of the normal credit needs of the economy having to do with the plan for the economic and social development of the country, e.g. for purchases of agricultural output.

The transition of all enterprises to full cost accounting and self-financing in 1989 presupposes the formation of significant economic incentive funds at their disposal. Their amounts can increase with the overfulfillment of the targets for increasing production efficiency. All of this establishes the conditions for enterprises to supplement the standards of own working capital if necessary and for the release of credit resources from previously immobilized reserves of commodity stocks. The banks will now charge a higher interest rate for the extension of credit for above-standard reserves of commodity stocks. This is a very substantial financial measure.

In accordance with the credit plan for 1989, 344.5 billion rubles will be allocated to the extension of credit to the national economy and population, which is 58 billion rubles, or 14.4 percent, less than in 1988. Long-term loans were thereby reduced by 3.5 billion rubles, or 3.4 percent, and short-term credit investments declined by 54.5 billion rubles, or 18.1 percent, and the volume of industrial production increased by 4 percent, gross agricultural output by 2 percent, the retail commodity turnover by 6.1 percent, freight traffic by 2.8 percent, and paid services to the population by 8.1 percent. The banks will carry out a strict course for the most efficient

utilization of loans. Provision is made for the full restitution of loans issued for the temporary supplementing of a shortage of own working capital developing in connection with the nonfulfillment of the plan for profit and the accomplishment of above-plan expenditures from profit in the amount of 4.7 billion rubles.

In connection with the decision that the USSR Agroprombank together with interested bodies must examine the question of the early liquidation of deferred bank loans in 1989, the credit plan provides for a reduction of the indebtedness in the indicated credits by up to 5 billion rubles.

It is necessary to ensure a partial liquidation of credits for the formation of standards of own working capital in the amount of 4 billion rubles and also to carry out a further limitation of the extension of credit for long-term nonreduceable reserves of commodity stocks and production expenditures. This involves the paying off of loans for covering expenditures on preparatory mining and stripping work and loans for long-term nonreduceable reserves of poor and oxidated ores, lead and zinc resources, shales, asbestos and other physical assets at the enterprises of individual branches of industry as well as above-standard residues of unfinished industrial production and special equipment at enterprises of ferrous and nonferrous metallurgy, machine building and other industrial branches. In the future, as a rule, the indicated reserves must be formed through the own reserves of enterprises. The first quarter is past but unfortunately the banks have still done very little in this direction. The institutions of USSR Promstroybank need to proceed immediately to resolve this task.

The country's national economy has great reserves for the reduction of physical stocks. The diversion of resources for the formation of reserves of commodity stocks and production expenditures beyond the maximum level reaches 9 billion rubles, including more than 8 billion rubles in industry. The situation is especially unfavorable in the machine building complex, where more than 60 percent of the enterprises in 1988 exceeded the level of planned reserves by a total of more than 2.9 billion rubles. The turnover of working capital must be accelerated by no less than 4 to 5 days by the end of the five-year plan. Taking this factor into account, the plan for 1989 provides for the release of up to 12 billion rubles in credit resources. This task is quite realistic and can be fulfilled.

More should be done to direct credit resources into expenditures for the production of consumer goods, the development of paid services to the population and other measures that help to reduce the pressure on the consumer market. Such questions must be examined more extensively in bank councils and joint proposals on them must be presented to the councils of ministers and ispolkoms.

There must be a reorganization of credit relations with unprofitable enterprises. Such enterprises should be extended credit under the condition that they work out measures to eliminate their unprofitableness by the end of the 12th Five-Year Plan. The banks need to perform a systematic analysis of the fulfillment of these measures and strive for their realization without fail.

A more progressive form of managing the state's outstanding loans is foreseen for 1989. In connection with the transition of bank institutions to full cost accounting, the extension of credit to enterprises and organizations, including loans to commercial and cooperative banks, can now be accomplished only within the limits of the credit resources that they mobilize locally or acquire through a higher banking institution or other banks for payment, but not above the established credit limit. The bank institutions sell available sums of credit resources mobilized locally to other banks or to their superior banks. The payment for resources transferred from one bank to another is made on a contractual basis but it cannot exceed the discount rate of USSR Gosbank by more than 20 percent.

The republic banks of USSR Gosbank and their oblast boards need to guide the work of commercial and cooperative banks toward the realization of a unified credit policy, provide them assistance in the organization of the work and exercise control over the observance of the established economic standards for their work.

With the transfer of specialized bank institutions to the principles of economic accounting and self-financing, profit as an indicator of the efficiency of their work and as a source of production and social development and economic incentive has been made the basis of their activities. The main cost-accounting link in the system of Promstroybank, Agroprombank, Zhilsotsbank and the Savings Bank is the branch of the respective bank. As for the USSR Foreign Economic Bank, by and large it is operating under the principles of full cost accounting and self-financing. The cost-accounting conditions of the functioning of USSR Gosbank are defined by its charter.

USSR Gosbank and the specialized banks define the composition of the income and expenditures of bank institutions and the system for the calculation and estimation of the profit of the cost-accounting institutions of the banks.

The banks have been granted the right to provide additional paid services not part of their direct banking duties flowing out of the performance of their functions to enterprises, organizations and the population at their request and on a contractual basis. The size of commissions for bank services to customers is set by the boards of the specialized banks of the USSR. At the same time, it must be noted that individual bank institutions are illegally demanding payment from customers for the

performance of their direct obligations to them. For example, they collected from individual citizens for the exchange of worn-out money.

The introduction of cost accounting in banking activities is based on the fact that enterprises and organizations can now independently select bank institutions to provide them credit and clearing services. But this process will not take place spontaneously. USSR Gosbank will establish the system for the transfer of customers from bank to bank.

As has already been noted, many enterprises are holding back on employing additional earned assets for the liquidation of bank loans and are utilizing them primarily for the remuneration of labor and the establishment of above-plan reserves of commodity stocks. One of the reasons for the insufficient interest of enterprises in paying off loans early even though they have their own funds is the low cost of credit. The annual interest rate is 1 to 2 percent for many loans and no interest at all is paid on deferred loans. In this connection, the USSR Agroprombank has been granted the right to set the interest rate for the utilization of deferred credits by enterprises and organizations of the agro-industrial complex in accordance with the profitability of the farm. Beginning 1 April of this year, the institutions of USSR banks have been setting a rate of 15 percent for loans extended for above-standard surpluses of commodity stocks. USSR Gosstroy, USSR Gosstrib and USSR Gosbank have been entrusted with working out standards for reserves of uninstalled equipment for facilities being constructed or reconstructed. It has been decided to extend the indicated interest rate to credits for above-standard reserves of uninstalled equipment.

The existing mechanism for the extension of credit, which still contains some elements of the administrative regulation of credit relations, is in need of further improvement. There is, in particular, excessive regimentation of the composition of an enlarged object of the extension of credit and of the set of indicators in accordance with whose fulfillment the interest rates for the use of credit can be raised or lowered.

At the present time, Gosbank is elaborating a new mechanism for the extension of credit aimed at the further expansion of the rights of bank institutions and enterprises and closer coordination of credit policy with money circulation. It is planned to increase significantly the role of the credit contract determining the interrelationship of banks with enterprises. The main criterion for the extension of credit must in fact be the provision of the efficient utilization of credit and its repayment in the established time.

Important tasks are facing bank workers in the strengthening of the monetary turnover. The results of the first quarter of the current year allow one to draw the conclusion that we have not yet reduced the tension that existed in 1988, despite the fact that the rate of growth of the



commodity turnover and volume of paid services has increased noticeably in comparison with previous years. This was caused primarily by the fact that, under the conditions of the continuing imbalance in the consumer market (especially for food) and the lack of development of the services area, the monetary income of the population significantly exceeded the planning estimates above all because of the supplemental expenditure of resources for wages. The above-plan income was not covered by the necessary supplemental volumes of goods and services. The situation in the domestic market was aggravated, there was an increase in the commodity shortage, the reduction of commodity reserves in retail trade continued, and prices rose for a number of agricultural products in kolkhoz markets.

The significant excess monetary income of the population has to do with the fact that in introducing a new system for the formation of the wage fund it was not possible to ensure its close and economically valid link with the final results of production and with the increase in labor productivity. Because of this, there was a worsening of the correlation between the increase in the average wage and labor productivity for the country as a whole and for most union republics.

The session of the CPSU Central Committee Politburo in February 1989 examined questions having to do with the financial normalization of the economy and the strengthening of the monetary turnover. Urgent measures were specified, the implementation of which will make it possible in the coming years to stop the negative tendencies in the economy, finances and the monetary turnover and to improve the situation in the domestic market. It was planned to reduce budgetary outlays, including for the financing of capital investments in production and for defense and administration, and to increase state income primarily by raising the efficiency of production and eliminating its unprofitableness.

Particular attention was paid to the reduction of the accumulated imbalance in solvent demand and to proposals to diminish the commodity shortage. It was planned to increase the production of consumer goods and to transfer technical industrial goods for sale to the population and cooperatives. All of this will give a significant increase in commodity resources and will make it possible to increase the planned volume of the retail commodity turnover established for the current year.

For a real removal of the tension in ensuring a balance in the consumer market, decisive measures are needed to increase the production of consumer goods in each ministry and each republic, oblast and rayon. It is also necessary to be more active in raising questions before local soviet bodies about the involvement of all enterprises in the production of such goods.

Of great importance is the decree passed by the USSR Council of Ministers on increasing the production of nonfood consumer goods through the reorganization of

active enterprises that have recently been put into operation and available production capacities. In addition, a number of enterprises in the defense industry are shifting to the production of equipment for the light and food industries as well as consumer goods. The banks of the USSR must do everything they can to help in the implementation of the decisions through loans and to be more active in revealing possibilities for increasing the production of goods primarily through the utilization of raw materials and supplies, the organization of the production of goods in available production spaces, the reorganization of enterprises producing technical industrial output, the development of subsidiary production processes at kolkhozes, sovkhozes and other agricultural enterprises, and the organization of cooperatives for the production of goods and the provision of services to the population.

The local work must be carried out by the banks in close contact with the councils of ministers of the republics and with the ispolkoms of the soviets of people's deputies, which have been given responsibility for the state of the monetary turnover and major rights to influence all enterprises located in a region, regardless of their departmental subordination, for the purpose of increasing the output of goods for the people.

These matters are not being given the proper attention in all republics and oblasts. Surveys carried out in 1988 by the USSR People's Control Committee, USSR Gosbank and the USSR Ministry of Finance in the Ukrainian SSR and Uzbek SSR showed that locally too little use is being made of the reserves for the development of the production of consumer goods through the fuller utilization of existing capacities, raw materials or manpower resources. In some regions, they are continuing to bring in the most ordinary goods of everyday demand, the production of which can and must be organized locally. Many ispolkoms of local soviets of people's deputies are not providing for the rational utilization of market commodity resources, as a result of which there has been a sharp increase in the sale of goods to enterprises and organizations under small-scale wholesale trade to the detriment of the population. Meanwhile, bank institutions often do not pay the proper attention to such phenomena and at times, despite the decisions made, contribute to the sale of lumber and building materials to enterprises and kolkhozes by written order. All of this has an extremely negative effect on the monetary turnover and requires a strengthening of the influence of specialized banks on these processes.

In many regions of the country, the relationship between monetary income and expenditures of the population worsened in 1988, in particular in a number of ASSR's and oblasts of the RSFSR, in the Ukraine, in Georgia and in Azerbaijan.

The republic banks and boards of USSR Gosbank in the oblasts are not yet making the proper analysis of the economic processes taking place in the regions and of their influence on the monetary turnover. In this connection, the reports and proposals that they have presented to the councils of ministers of the republics and ispolkoms of soviets of people's deputies are in many cases descriptive in nature and do not disclose the reserves existing in the economy and do not direct one to take specific measures.

Thus, the enterprises and associations of Chelyabinsk Oblast adopted plans for the production in 1989 of consumer goods totaling 452 million rubles, or 13.5 percent below the estimated figures in the state plan; trade organizations estimated the retail commodity turnover at 286 million rubles (5.9 percent) below the control figure for the oblast; the volume of paid services to the population accepted by enterprises and organizations is 55 million rubles (8.3 percent) below the control figure. At the same time, monetary income is accumulating above the planning estimates. The oblast is asking the center to release additional money.

It is necessary to react more vigorously to cases in which locally they are not making full use of the possibilities for strengthening monetary turnover. The practical actions of all banks must be aimed at the resolution of this most important task by doing everything they can to help to fulfill the state plan through credit and, together with local bodies, to find additional possibilities for increasing the production of goods needed by the population and for the intensification of actions to eliminate shortcomings in the management of the economy.

The questions in the strengthening of the monetary turnover are directly related to the successful realization of the Food Program. We have not yet been able to achieve a substantial improvement of the supply of food products to the population. The work is getting under way only slowly in the execution of the decisions on a fundamental improvement of the provision of food in the country; it clearly does not correspond to the acuteness and concern with which the 19th All-Union Party Conference discussed the primary economic and political task—that of resolving the food problem in the shortest possible time.

The CPSU Central Committee Plenum that took place in March of this year gave an extensive fundamental assessment of the state of affairs in the agrarian sector of the country. The CPSU Central Committee Plenum approved a new agrarian policy, the starting point of which is the systematic restructuring of economic relations in the rural areas, the independent management of the farms and a diversity of forms unchaining the initiative of the individual.

The plenum noted the imperfection of the financial and credit provision of the agrarian sector, which is not keeping up with events, is still inclined to excessive regulation and is not doing much to stimulate enterprise and

justified risk. In this connection, it set the task of restructuring the work of the banks, especially Agroprombank, and of making them really interested in developing production and acting as partners. It emphasized the necessity of giving impetus to the development of a system of cooperative banks and joint-stock companies so as actively to attract the personal savings of enterprise and farm workers to improve their economic activities.

Significant funds will be issued to processing enterprises in the agro-industrial complex in the near future. The following figures indicate the scope of these tasks: in the course of 8 years, it will be necessary to put 77 billion rubles of capital investments into the development of the processing branches, to reconstruct and reequip more than two-thirds of the capacities in the meat and dairy, butter and fat, confectionery and baking industries, and to establish the necessary capacities for the timely acceptance, storage and processing of agricultural raw materials. This is the largest area for the application of the knowledge and experience of specialists and managers of institutions such as USSR Agroprombank and USSR Promstroybank.

Cooperatives for the production of goods and the provision of services can and must play a conspicuous role in the saturation of the market with goods and services. The necessary conditions have been established for their development. A decision has been made on the improvement of the material and technical supply of cooperatives in wholesale trade. The cooperative movement is developing rapidly. The number of operating cooperatives increased in 1988 from 14,000 to 78,000 and 1.4 million people are employed in them. The receipts of cooperatives exceeded 6 billion rubles last year and almost 5 billion rubles in the first quarter of this year.

Short-term credit investments for the development of cooperative activities already amount to 755 million ruble and they increased by a factor of almost 13 during the past year. The cooperatives have been given 450 million rubles in credit for the establishment and expansion of fixed production capital and the increase in the production of consumer goods and services.

The amount of credit for the development of individual labor activity tripled in the last year and exceeded 121 million rubles.

In this area of work, unfortunately, a large share of the loans are not paid off in the set time, in connection with which bank institutions must analyze in depth the situation with respect to payments discipline and take measures to improve it and to recover loans in a timely manner.

Under the conditions of the existing situation with respect to the monetary turnover, the role and importance of organizing work in bank institutions to control

the expenditure of funds for wages are increasing. In 1989, quarterly standard correlations were introduced in the branches of the national economy. They are called upon to ensure economically correct proportions between the increase in the average wage and in labor productivity and the observance of the requirements of the USSR Law on the State Enterprise (Association).

The councils of ministers of union republics, ministries and departments were entrusted with the control over the observance of the affirmed standard correlations by enterprises and organizations. The institutions of the USSR Promstroybank, USSR Agroprombank, USSR Zhilsotsbank and USSR Savings Bank are obligated to be guided strictly by standard correlations when they give out money to enterprises and organizations for the remuneration of labor.

The bank institutions have been granted the right not to issue funds to enterprises and organizations for the payment of wages in excess of the sums flowing from planned standard correlations and also if necessary to establish monthly control over the payment of wages in enterprises and organizations that violated the indicated correlations in the previous quarter (year).

Specialized banks must stop the attempts of enterprises to expend unearned means for wages. For this purpose, one should systematically analyze the efficiency of the applicable system for the formation and expenditure of the wage fund (unified fund for the remuneration of labor), opportunely reveal its negative aspects that do not contribute to the thrifty expenditure of means for the payment of labor, make the necessary suggestions for their elimination and work out proposals for the strengthening of bank control over expenditures from the wage fund.

The improvement of the savings practice occupies a prominent place in the complex of measures to strengthen the monetary turnover. Under the conditions of the further increase in monetary incomes, the institutions of the Savings Bank face the task of the further intensification of the work to attract the means of the population above all on the basis of the broad introduction of progressive and convenient forms of savings. It is necessary to seek constantly to reduce cash in circulation, ensuring the expansion of operations to transfer the wages of workers and employees to deposit accounts and to develop effective forms of accounts and banking services for the people. It is especially important to raise the level and standards for serving the population and to ensure an expansion of the network and most rational location of institutions of the Savings Bank and an improvement of their work routine.

They are expanding the sphere of the long-term extension of credit to the population for the satisfaction of social needs: for individual housing construction, for the acquisition of garden houses and the improvement of garden plots, and for the equipping of households. In

1988, five times more credit was issued for the indicated purposes than in 1987. But there were cases in which it was provided for the wrong purpose. In the Turkmen, Tajik, Uzbek and Georgian union republics and Rostov Oblast, cases were revealed in which loans were provided under fictitious information of ispolkoms of local soviets affirming the right to credit even though the borrowers could not take advantage of such a right.

Taking into account what has been stated, it is essential for the Savings Bank to establish stricter control over the validity of the issuing of loans and the utilization of money received for a particular purpose.

In the current year, the possibilities of the loan fund of USSR Gosbank and the USSR Savings Bank are contracting, in connection with which banks will be forced to reduce the investment of credits for the provision of the consumer needs of the population. Considering this, bank institutions should grant credits above all for the completion of carry-over facilities and carefully examine petitions on the satisfaction of the primary needs of the population for new credits. In so doing, the banks must without fail consider the presence of commodity stocks for construction output and materials in specific regions.

As was already noted, the increase in the role of credit and the strengthening of the monetary turnover are inseparably linked with the financial normalization of the national economy. Of great importance in the complex of measures for the normalization of the economy is the realization of programs worked out with the participation of the banks to eliminate the unprofitableness of enterprises in national economic complexes. The main objective of this measure is to achieve profitable work principally in 1989 and no later than 1990 in individual major economic bodies.

The financial state of many enterprises and organizations is aggravated by insufficient own working capital from previous years. And this insufficiency even increased last year in the ministries of a number of ministries.

Under such conditions, one must more actively apply economic measures to enterprises that for a long time have not paid their loan accounts and suppliers on time and declare them nonsolvent. The Law of the USSR on the State Enterprise provides when necessary for the liquidation or reorganization of enterprises. But this measure is still not being utilized to the proper degree. For the main thing—not to declare an enterprise insolvent in the press—is only part of the question. It is important to achieve a normalization of its economic and financial state and here the banks are not yet active enough.

Under the conditions of the transfer of branches of the economy to full cost accounting, there has not yet been a fundamental change in the reduction of the reciprocal deferred indebtedness of economic bodies, which in the

course of 1988 increased continuously and by 1 December had reached the level of the corresponding period of 1987—25.8 billion rubles. In contrast to past years, they abolished the performance of an interbranch offset of reciprocal indebtedness of economic bodies and the granting of credit for clearing up this debt, considering that under the new conditions of management this course is not determinate for the elimination of the reasons producing the financial difficulties in the economy. The basis for the resolution of the indicated problem must be the observation of contractual discipline, the timely performance of reciprocal obligations, the involvement of deep-seated economic reserves in the economic turnover, and the fulfillment of profit targets. USSR Gosbank allocated supplemental credit resources to USSR Agroprombank and USSR Promstroybank. And although by the end of 1988 it was possible to reduce the total of file No 2 to 15.6 billion rubles, it will be necessary to make a considerable effort to resolve this important problem.

With the introduction of a calendar sequence of payments in a number of places, there has been an aggravation of problems in the timely paying out of funds for wages. In the first stage of the work of enterprises under full cost accounting, the banks granted them short-term credits under favorable conditions for the issuing of funds for wages when these enterprises lack money in their current accounts for reasons that do not depend upon their financial and economic activities. Some enterprises, not having their own means for accounts with workers and employees, systematically turned to the banks for credit for these purposes. Wages were paid to the collective of the machine tool building plant imeni S. Ordzhonikidze through bank loans throughout practically the entire year beginning in January 1988, to the Moscow Union of Consumer Cooperatives "Red Proletarian" beginning in February, and to the plant for machine building structures of the USSR Ministry of the Machine Tool and Tool Building Industry (Moscow) beginning in March. In all of these cases, the issuing of loans for wages by institutions of Promstroybank took place when the enterprises had significant sums of non-payments to suppliers and in some instances to banks.

As the materials show, a number of bank institutions are still issuing loans to enterprises for wages at a time when there are claims against the current account, which is one of the ways of avoiding the calendar sequence of payments established by the Law on the State Enterprise. Such occurrences are inadmissible for banks.

The successful realization of important tasks in the intensification of the social reorientation of the economy and the comprehensive increase in the effectiveness of public production depends to a significant extent upon the situation in capital construction. It is still unsatisfactory.

The above-standard volume of incomplete construction increased by more than 5 billion rubles in 1988 and now exceeds 13 billion rubles. Efforts and means continue to

be dispersed in an inordinately large number of construction projects and facilities and we are not being successful in achieving a substantial reduction of the fund of construction work and of the value of construction. The time for the building of many production facilities is twice or triple the planned time.

We have not been successful in taking a step forward in involving uninstalled equipment in the work. The planning target for 1988 was not fulfilled. Moreover the total value of surplus uninstalled equipment in the national economy increased and exceeded 14 billion rubles. The large volumes of above-standard construction, in which significant physical and financial resources are frozen, are having a negative effect on the country's economy. Because of the long delays in construction and the failure to meet the deadlines for the putting of facilities into operation, the wages paid out to builders are not covered by a corresponding increase in commodities, which aggravates the already strained situation in the monetary turnover.

All of this is the result of the insufficient efficiency of the system for the management of the investment process and also of the economic mechanism in operation in capital construction, the expenditure nature of which has not yet been overcome. Nor is the banking mechanism yet having the necessary effect on the investment area.

The system for providing the branches of the national economy with capital investments is changing in 1989. In the overall volume of state capital investments, the share of capital investments carried out through the means of enterprises is increasing and amounts to 47.1 percent compared with 38.4 percent under the plan for 1988.

We have to achieve a decisive change in this area on the basis of the maximum concentration of capital investments, material-technical and financial resources in start-up facilities, a sharp limitation of the number of newly started construction projects and the moth-balling of a number of facilities (the building of which is not brought about by primary economic necessity or of those having a low technical readiness or being built under obsolete projects). The final result of this work must be the bringing of incomplete construction up to the established standards by the end of the five-year plan.

Buyers and contract organizations now have full responsibility for the correctness of the application of contractual prices to construction output, for the strict observance of the established order in the determination of these prices, and for the nonadmission of unjustified expenditures in the cost of construction. Construction organizations have been given the opportunity to form 25 to 30 percent of their own production program independently on the basis of direct contractual relations with customers. Specialized banks must carry out a systematic analysis of the practice of using contractual prices in construction and inform the permanent bodies



of the USSR Council of Ministers, the ministries and departments of the USSR and councils of ministers of the union republics about revealed violations.

An important reserve for increasing the yield from the means invested in capital construction is the raising of the technical and economic level of facilities under construction on the basis of the utilization of the latest scientific-technical achievements and the best domestic and foreign experience. In so doing, one of the effective means of influencing this process is the control of specialized banks over the nonadmissibility of including newly started construction projects in the plan for capital construction (regardless of their budget cost) when the technical and economic indicators of the projects do not meet the contemporary requirements of scientific-technical progress. In the process of carrying out this work, the banks should proceed from the fact that the USSR Council of Ministers put the responsibility for having the technical and economic indicators of the projects correspond to the current requirements of scientific-technical progress on ministries, departments, customer enterprises and associations and planning organizations.

The raising of the efficiency of capital construction requires a fundamental improvement of the entire system for the economic management of the investment process. And such work has now begun. A number of problems have to be resolved. This involves above all the replacement of centralized capital investments from the budget with the extension of credit on the basis of reimbursability and payment and the development of a mechanism for the economic interest of all participants in the investment process in accelerating the introduction of the achievements of scientific-technical progress into production.

The work experience gained in 1988 showed that the process of restructuring the banking system does not yet fully meet the requirements of the extensive development of commodity-money relationships in the country. Only the first steps have been taken on the way to the democratization of the banking mechanism. For the time being, the previous monopoly of USSR Gosbank and USSR Stroybank have essentially been replaced with a monopoly of specialized banks. The new forms and methods of work are being introduced only slowly. Under the conditions of the increase in the role of low-level bank institutions, they have not been properly reinforced with personnel and this problem needs to be resolved. At the same time, a large administrative apparatus has been established over them, especially at the oblast link. As a result, no fundamental change in the style and methods of the work with enterprises has yet been achieved in the activities of the specialized banks. To a certain degree, this had to do with the fact that in 1988 the customers of the banks were administratively classified by branch characteristics, which limited the cost-accounting independence of enterprises, frequently paralyzed their initiative and did not stimulate an improvement of quality and an expansion of banking services.

The process of the establishment of commercial and cooperative banks that has begun in the country is an important factor in the banking reform being carried out. There is a search under way for new and economically more effective forms of organizing local banking operations and interrelations with customers. All of these banks will become competitors of specialized banks and will force them to improve their work more rapidly. The establishment of new banks is not a centralized administrative act but is the product of the system of cost accounting and self-financing and the will of shareholders and was brought about by the need to manage in a new way.

The new banking institutions are being organized through initiative from below on the basis of the voluntary association of state enterprises, cooperatives and their unions for the purpose of the accumulation and rational utilization of the money resources of cooperative members for the requirements in the development of a specific branch, subbranch, group of enterprises or region. This process reflects the realization of rights and the development of the initiative and enterprise of primary cost-accounting links granted by the laws of the USSR on the state enterprise (association) and on cooperation in the USSR and is directly linked with the introduction of regional cost accounting.

USSR Gosbank is developing economic methods for the regulation of banking activities, whereby consideration is being given to foreign banking experience as applied to the special features of the economy of our country. For the purpose of supporting the stable solvency of banks and defending the interests of their clients, USSR Gosbank is establishing for commercial and cooperative banks a standard ratio between the bank's own assets and its obligations and is limiting the total deposits of citizens to the amount of the bank's own assets. Standards are being formulated that ensure a liquid structure in the balance of the commercial bank.

Under the conditions of the active development of the radical economic reform, the extension of the area of the utilization of commodity-money relations and the strengthening of the independence of enterprises, the establishment of commercial and cooperative banks is one of the forms of the search for highly efficient economic mechanisms and an alternative to traditional forms of banking work. These credit institutions will be interested partners of their clients in their achievement of good final results and in increasing the efficiency of production, because the economic and legal responsibility for the work of banks lies fully with their founders and shareholders.

USSR Gosbank has now registered 79 cooperative and commercial banks. The founders and shareholders of commercial and cooperative banks are enterprises and

cooperatives in practically all branches of the national economy. The objectives in the establishment and the prospects for the development of banks differ in their directions and scope.

The establishment of a network of banks on a commercial basis will make it possible to carry out the democratization of banking operations and to overcome the monopoly in the area of credit. Each enterprise will be able to realize the right granted to it to choose some bank or other for itself independently. This will introduce into the activities of banking institutions an element of competition for the available funds of clients and their effective utilization as own credit resources. If we speak of the number of banks, in the final analysis it will be determined by life itself. Those banks that do not fit into the new system and do not justify themselves economically will put an end to their own existence. There is no tragedy here. Something else should be of greater concern: our network of banking institutions is very poorly developed in comparison with other countries and hence the set of banking services offered to clients is clearly inadequate.

The functioning of different banks, branch as well as regional banks, in the national economic complex will do much to stimulate the implementation of full cost accounting and the active development of lease relations.

Under the new conditions, the work of banking institutions will be based on contractual cost-accounting relations under the conditions of the functioning of the socialist market. It is necessary to form and put into operation a flexible mechanism of money and credit regulation that makes it possible, on the one hand, to have an effective influence on economic actions, to defend enterprises, banks and the population against the influence of narrow departmentalism and to protect (insure) their monetary deposits and, on the other hand, to provide for state control over the activities of credit institutions on the basis of economic methods of management.

One of the important factors in the further development of commodity-money relations is the issue of shares of stock. The initial period of joint-stock activities, which arose this year at the initiative of the enterprises themselves, was in many instances spontaneous in nature. Individual enterprises guaranteed shareholders an excessively high level of payments on shares in advance, whereas the income on shares must be made dependent upon the efficiency of production and the magnitude of the profit received. Banks should keep in mind that it is not permissible to pay dividends on the shares of the labor collective from the means of the economic incentive fund (wage fund) that are not subject to expenditure in connection with the violation of the standard correlation between the increase in the average wage and the increase in labor productivity.

The rise of cooperative and commercial banks and the assimilation by banks of new functions that they previously did not have (e.g. work with shares, etc.) require an

increase in the level of the coordination of the activities of banks and a strengthening of the role of bank councils at all levels.

A certain amount of positive experience was gained in a number of republics and oblasts in the past period of working in the new way. There is a growing number of questions that the banks are examining in bank councils, whereby this work is performed in accordance with coordination plans that are put together collectively and coordinated with the plans for the work of planning and financial bodies as well as people's control committees.

The bank councils examine such questions as the course of the execution of credit and cash plans, the development of money and credit relations, proposals for the supplemental release of consumer goods, services for the population, etc. The reasons for the unprofitability in the work of enterprises receiving credit were examined at bank councils in Moscow and Leningrad; an analysis of the efficiency of the utilization of credit resources in the resolution of the Food Program was carried out jointly with the bank boards in Kalinin; in Grodno Oblast, they carried out a joint study of the question of measures to involve reserves of commodity stocks and uninstalled equipment in the economic turnover.

In the course of the search for new forms of strengthening the practical contacts of banks, they have begun to establish special groups of economists from different banks for the study of important specific economic questions and the intensification of work in the main sectors. This experience was extended to Moscow, Leningrad, Tatarskaya ASSR, and Smolensk, Kalinin, Ulyanovsk and a number of other oblasts.

The necessary practical contacts and coordination of the activities of specialized banks are still not being guaranteed everywhere. Not everywhere are they showing interest in the joint discussion and development of common solutions to the problems that are arising and in some places they are taking a narrow departmental approach as the basis for the resolution of questions concerning the state as a whole.

In some places, they have begun to divide clients into "their own" and "someone else's," which naturally was reflected negatively in the servicing of economic bodies. These are abnormal and quite inadmissible occurrences that one can no longer put up with. All banking institutions regardless of their specialization have one main objective and the same primary tasks of a general state nature. They are clearly formulated in the decisions on the carrying out of the banking reform and must also be the basis for the organization of the activities of banks locally.

A most important component of the process of the fundamental restructuring of the economic mechanism is the reform of the administration of foreign economic ties being implemented at the present time. The decree of the USSR Council of Ministers "On the Further Development of the Foreign Economic Activities of State, Cooperative and other Public Enterprises, Associations and Organizations" passed in December 1988 gave an additional impulse to the development of their new forms. The measures foreseen in it make it possible for most enterprises and organizations, including cooperatives, to be included in the foreign trade turnover. Many limitations on the work of joint enterprises and international organizations have been removed and additional privileges have been made available for them.

The needs of enterprises independently going out into foreign markets directly "nudge" banks to work in a new way and the rapidly reorganizing banking system, in turn, is becoming capable of encouraging its clients to work more actively in the foreign economic sphere. To achieve a correct balance of interests of the sides in this area, it is especially important of see to it that credit and clearing relations are implemented between partners with equal rights and equal incentives.

One of the most complex tasks for the country's banking system will be the realization of the course of the gradual transition to convertibility of the Soviet ruble. This presupposes the establishment of economic, juridical and organizational conditions that would guarantee Soviet enterprises the possibility of the free buying and selling of foreign exchange. Among these conditions, clearly, one should include the expansion of the sphere of commodity-money relations and economic methods of regulating monetary turnovers in the national economy; the transition to wholesale trade; the reform of price-setting and the provision of comparability of domestic prices with world prices as well as the commodity coverage of the Soviet ruble; and the improvement of the quality and competitiveness of Soviet goods in the world market.

In this connection, the introduction of convertibility represents a lengthy process consisting of several stages. In the first of them, one should guarantee Soviet enterprises the possibility of the free reciprocal exchange of rubles and foreign exchange belonging to them under economically favorable conditions. This means that enterprises wishing to acquire foreign exchange will be able to purchase it in exchange for rubles from enterprises selling foreign exchange. The purchasers of foreign exchange will be enterprises wanting to increase their currency resources and the sellers will be enterprises experiencing a need for additional ruble assets. The currency funds of enterprises must serve as the source of currency resources for the realization of exchange operations. The redistribution of currency resources among Soviet enterprises will take place without changing the country's total indebtedness or the volume of state currency reserves. Such a version is now under study.

A specific form of organizing currency trade will be regular currency auctions, the development of the mechanism of which has been entrusted to USSR Gosbank along with the Foreign Economic Bank and a number of other organizations.

The achievement of more developed forms of convertibility of the ruble will become possible with the rise of a developed commodity market and a services market, when the money assets in the accounts of enterprises can be freely used for the acquisition of the means of production, other goods or services, and also foreign exchange depending upon their cost-accounting interests.

One of the steps toward the achievement of convertibility of the ruble will be the introduction in 1991 of a new official exchange rate for the ruble, which will simplify the existing unwieldy system of currency accounts utilizing so-called differentiated currency coefficients introduced in the first stage of the reform of the country's foreign economic ties.

The raising of the level of the organization of banking depends to a considerable extent upon the utilization of organizational-technical means and automated systems for the management of banking operations.

It is well known that in the process of reorganizing the banking system it was intended to provide for the centralized servicing of all banks through a single computing system. But this work has been delayed for the time being. Heretofore the servicing of banking institutions has been performed locally by the computing centers of USSR Gosbank and USSR Promstroybank. And in 30 regions, the computing centers of USSR Promstroybank, whose computing capacities are not fully loaded, are functioning along with those of USSR Gosbank. It cannot be considered correct when locally the managers of specialized banks are turning over the processing of the money-clearing documents of their branches to departmental computing centers instead of doing this at the computing centers of USSR Gosbank. The processing of the documents of the branches of USSR Promstroybank at departmental centers has already led to the disruption of the unified organization of clearing, to a significant increase in the volumes of the turnovers between branches, to a slowing of clearing within one city by several days, and to adoubling or tripling of information flows because of the parallel exchange of documents between computing centers and bank institutions.

If one speaks of the general indicators of the work in the automation of banking operations, then it should be noted that at the present time in the commercial operations at all levels of the banking system there are 698 tasks covering the basic areas of banking work: the organization of clearing, the extension of credit, financing, the monetary turnover and the cash execution of the

state budget. Of these tasks, 345 are resolved at the level of the central staffs, 126 at the level of republic banks, 100 at the level of oblast boards, and 127 tasks at the branch level.

It is planned to organize two new computing centers in Aktyubinsk and Semipaltinsk in the course of 1989. An additional 370 institutions of USSR banks, including 281 from USSR Agroprombank, 42 from USSR Promstroybank and 38 from USSR Zhilsotsbank, are being shifted to the processing of information through computing centers in 1989.

In speaking of the long term, it must be stressed that a "Concept for the Development of Automation and Mechanization in the Banking System" and a "Complex Program for the Automation and Mechanization of Work in the Banks of the USSR for the Period Through the Year 2005" are being developed for the purpose of ensuring qualitative data-processing services for all banks in the USSR.

On the basis of these materials, it is planned to prepare an extensive scientifically founded program for the development of the automation of banking operations in the country as one of the basic factors in the establishment of the information base for the qualitative change of the administrative labor of banking workers and the provision of analytical and reporting data on the monetary turnover, the utilization of credit resources and clearing in the country to economic bodies. At the same time, practical work is being done to establish an automatic system of administration of USSR Gosbank—a system for the collective utilization of the banks of the USSR.

The further extension of the banking reform requires the comprehensive improvement of the work with staff workers, the acceleration of the restructuring of economic training in the banking system, the all-out improvement of the professional skills of bank workers in accordance with the increasing demands resulting from the economic transformations in the country, the reform of the political system and the democratization of all aspects of the life of the Soviet society. It is necessary to fight more actively against bureaucracy and to be bolder in promoting young staff workers capable of thinking and acting in the spirit of perestroika. The honorable duty of the many thousands of workers in the banking system is to make their worthy contribution to the resolution of the tasks in strengthening the country's economic potential.

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#### **New System Criticized**

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[Article by Candidate of Economic Sciences V. Rudko-Silvanov: "A System for Expenditures: The Two Sides of Bank Reform"]

[Text] The article "For Every Wise Man" was published on 7 December 1988. The editor's office is still under

"attack" by readers' responses. It is apparent that the problem of bank reform has touched a nerve. And the general conclusion is categorical: the reform has artificially created still another global and acute problem for the country. Neither the modern vocabulary nor the apparent organizational fuss can cover up the main thing: the baby has been thrown out with the bath water.

"We tried to write about those same problems that were raised in the material in PRAVDA but each time we were stopped by the thought that perhaps from here, from below, we do not know the 'great objectives' of the reorganization. But as time has shown, the reorganization is merely an appearance." This is how R. Yermilova, deputy director of the Achinsk branch of Agrobank and a representative of the remote areas, assesses the reform. And the letters of many readers support the degree of her "seething" with respect to the unsound bank reform taking place.

"The perestroika that has been carried out only increased the administrative apparatus at the top," declares banker V. Bykovskiy from the city of Rechitsa on this account.

When they refer to the larger number of bankers in developed foreign countries than here, they shamefully ignore one significant difference: here there is a scheduled list of staff members and abroad they are practical commercial people and marketing workers.

In short, instead of aiming the restructuring of the credit system at strengthening the extremely weakened low-level link and at changing economic relations with state enterprises, they strengthened the command-administrative superstructure in all levels of management. Especially since this required only that they replace the sign. In return, under the mark of "specialization," the inventors of the trick acquired minister's portfolios.

Having buried the territorial principle of servicing clients, as the authors of many letters note, they made them take a Via Dolorosa from one end of the city to the other. It is now easy to understand how this will curb true cost accounting and the transition of local authorities to self-administration.

But let us listen to those who like the bank reform. "The first fruits of any restructuring are problems. Only movement down the old path can be without problems," consoles S. Amirbayev, director of the Kokchetav Oblast Board of USSR Promstroybank.

Let us see whether this is really so. "The establishment of specialized banks complicated the work in clearing and the extension of credit, the turn-around time for documents increased from 10 to 15 days..." (M. Chernov, deputy director for economics of the "Kazanbytkhim" Production Association). "The establishment of six banks instead on one complicated the financial work of combines. The enterprises that comprise them are served



in different financial operations in practically all of these banks and they dictate their own conditions, essentially having no responsibility for incorrect actions. What kind of partnership is this? It is formal arbitrariness...." (L. Kutyavin, director of the financial and clearing center of the "Moskva" Agro-Industrial Complex).

No, the expected economic miracle did not take place with the changing of the signs of the banks. The evidence for this is not only the responses but also the results of the work in the country over the last year. Promstroybank, Zhilsotzbank and Agroprombank were not able to stop the notorious "incomplete work" in construction. It increased by 62 percent. In this connection, an even larger quantity of surplus paper money has been put into circulation. The shortage of commodities continued to increase and the inexpensive assortment was washed out. The rate of increase in output was largely determined by the increase in prices.

In the light of these unhappy results, the attempt to attribute the reduction of credit investments while the volume of production was increasing to the merits of specialized banks does not stand up to criticism. For this is nothing other than the result of the transition of enterprises to cost accounting: economy practices, higher prices, an increase in the volume of own means, the abolition of wasteful credit for payment, and the existing administrative system for getting credits through the channels of the specialized banks. Indicative in this sense is the deferred indebtedness on loans and reciprocal accounts, which increased by 17.5 billion rubles in the country in 10 months. The results of the first quarter are no better.

And whereas from the height of the eagle's flight of some responsible workers the breakdowns in the credit-clearing and cash servicing is merely a vexatious episode that is now behind us, this has a different assessment, intensity and significance here on this sinful earth.

The unjustified and uncontrollable division of banks weakened and exposed the already weak link of accounting workers. There is no clear prospect for reducing the balance in interbranch turnovers for 1988. Just as in the time of stagnation, some make the decision but, as everyone knows, the switchman is responsible. The total volume of payment documents that were long without owners in the country reached 8 billion rubles at the end of the year.

There is nothing simpler, of course, than to see so-called temporary difficulties behind all of this confusion, as the fathers and ideologists of reform do. But let us not once again confuse growth difficulties with the increase in bureaucracy. There are questions that you cannot get around through boundless optimism. Among them are the questions of the monetary turnover, internal and territorial cost accounting, credit and others—the ones that represent the essence of the market economy.

As you know, USSR Gosbank has control over and responsibility for the state of the monetary turnover. How can it influence an economy of shortages without having its own institutions locally? Quite clearly it cannot at all. But credit and the means for capital investments are issued by the specialized banks and Gosbank provides only their cash part post factum, and that with the assistance of the branches of the specialized banks.

Certainly this is not the only reason for the worsening of the health of the monetary turnover. But attempts to simplify the problem in comparison with others supposedly more important are, to put it mildly, unconvincing: one must not naively disregard the integrity of the monetary turnover, the very essence of money and its function.

In realizing the plans of the astute bankers, we are becoming the first state without a national bank. Is this reasonable? Is there any benefit, I ask, from such an innovation? Everything depends, of course, on where we direct our movement. If it is in the direction of the development of market relations and economic methods, then the reform that has been carried out is clearly not in accord with common sense and the Leninist position on a single state bank as the frame of the socialist society, in which he saw nine-tenths of the state system. The gradual movement toward the restructuring of the economy leads us to the necessity of fulfilling these Leninist conditions.

Now as for the assertions that things are getting off dead center in the transfer of specialized banks to cost accounting and self-financing. Judging by the voluminous mail on this subject, cost accounting is by no means a panacea against the troubles of specialization. It has clearly illuminated the unsoundness of the idea of specialization. It is enough, for example, to refer to the desperate letter from the workers of the financial directorate of the agroprom from Leningrad: "In fact we still have departmental dictates and petty interference in relation to enterprises, which was also manifested with the transition of banks to cost accounting. The result: all 60 enterprises of the Leningrad Committee, including those that are located more than 70 kilometers away, are served by one single operational directorate."

For the universal banks to work normally, each of them has to acquire specialists from all branches of the national economy. But this leads to the next "influx" of career bureaucrats....

The question is this: either credit will regulate the efficiency of the development of the territory, participating in the establishment of its flexible market mechanism—and then there is no need for a multi-stage administration of specialized banks—or administration will thrive but we will forget to dream of efficient territorial cost accounting.

Ricardo knew even in his time that without the free transfusion of capital there is no average standard of profit and there is no efficiency. But today administration has triumphed again and it is quite probable that in the government document they will later write that credit has lost its function. But what is the cost of this to perestroika? Did today's banking "innovators," who are trying to force a distorted model of a capitalistic bank into the rigid monopoly-command system of management of the country without consideration of its scope and level of development, gave thought to this?

There they have a market oversaturated with commodities, an objective law of value and a developed market mechanism. We still have a largely rationing economy burdened with shortages and throttled by Gosplan, the Ministry of Finance and other "Gos" and "Mins." State control is being eroded: the tools for the management of the economy under the conditions of democratization are being lost and shortages and inflation are increasing. To the point, according to an analysis by the American economists Elvin and Heldi Toffler, the reform in China is paying for the absence of a strong and centralized system of banking operations through a loss of control over key economic processes and an increase in inflation.

The conclusion, I think, is on the surface: there is not and has not been a need to specialize banks for the purpose of establishing consortiums, because on the same basis you cannot create a more powerful consortium than a single Gosbank. It is another matter that in resolving the main question in perestroika—the changing of economic relations and the overcoming of alienation from ownership—one should make better use of its potential. Qualitatively new relations can arise only in the event that enterprises unite their means in commercial (cooperative) banks and more extensively attract the personal savings of citizens. It will also accelerate the resolution of the problem of savings banks. And, finally, these means will begin to serve the one one earned them.

Thus, the solution is to establish a state bank system with a territorial network of own and commercial institutions. And in saving the system from the attacks of command and bureaucratic distortions, to subordinate Gosbank to a new higher Soviet authority.

In a state based on law, no one other than the people, that is, the Congress of People's Deputies of the USSR, has the right to levy an additional tax on anyone at will. This right must belong only to the people's legislative body. Then there will be real control over the actions of the government. And the people will be able to judge these actions not just on the basis of "doctored" statistical reporting. But the main thing is there will be feedback permitting one not merely to receive opportune declarations but to take specific actions without bringing the economy to an absurd state or atrophy.

"Having become convinced of the unsoundness of specialization, the collectives of Zhilsotsbank and Agroprombank decided to merge," says T. Mentyukova, deputy director of the Aleksandriya Agroprombank, who is also concerned. "Despite the support of local directive bodies, the implementation of this proposal is being slowed by the Kirovograd Oblast board of Zhilsotsbank, which will be a superfluous link. A struggle is under way for portfolios. The collective has been in a fever for a year now. Why worsen economic work through their own hands and delay clearing?" wonders T. Mentyukova.

Indeed, for whom, after all, are we doing perestroika? For the people and for the economy or for those who are pulling the chestnuts out of the fire with enviable dexterity? Apparently it is no accident that the responses are calling the work of the council of oblast banks a council of the deaf and Gosbank, without real means of coordinating the actions of the banks, a king without authority. The result? The departments of Gosbank for coordinating, cash and auditing work are not fully loaded with work. The planning and monetary turnover departments are not working sufficiently efficiently and the auditing work of the specialized banks is piling up. There is duplication. And the collections department is also contributing to this confusion....

We, of course, will begin to see. As in the past, the increase in inflation and shortages will help us in this. Only who will pay for the losses? Or will it again be the pocket of the working person and the credit released to perestroika?

Unfortunately, the restructuring of the banks today is being determined not by economic practice, not by common sense in conformity with domestic and foreign experience and not by the opinion of scientists and practical workers but by the bureaucratic system. And in practice, the words pronounced from the platform of the 19th Party Conference to the effect that the most significant miscalculations and failures of perestroika are in those areas in which decisions were made in secret, without extensive discussion by specialists and without a sober assessment of the existing problems, have not yet hit home.

#### **Market Economy Requires Shifts in Attitudes, Values**

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[Article by D. Lvov, corresponding member, USSR Academy of Sciences; V. Gerasimovich, candidate of economic sciences; and S. Glazyev, candidate of economic sciences: "The Difficult Road to the Market"]

[Text] The course of perestroika is still evaluated on the basis of economic growth rates. This would seem to be a mistake. What is really behind them? Very often, inferior products, obsolete products or simply products that no one

needs; product-mix modifications involving the replacement of inexpensive products with products that are more expensive but by no means of higher quality; and, finally, double counting of one and the same product. As a result, while the shortage of many goods and services is dire, the country is bogged down with superfluous economic activity that accounts for less than one-third of total output.

#### High rates do not always mean success

The aim of perestroika is to sharply reduce and subsequently eliminate superfluous economic activity altogether. This will lead to a relative slackening of the tempo. The cardinal technological reconstruction of the national economy will also work in the same direction. However it must be remembered that all developed countries faced with the need to rebuild their economy on the basis of modern technologies have been compelled to organize the large-scale redistribution of resources from obsolete production facilities to new facilities, which has been accompanied by the considerable decline of economic growth rates to negative values. But today's successes along the road of scientific-technological and economic development show that they have benefited from the temporary decline of growth rates.

We are currently setting ourselves the task of making the transition to resource-saving technology through electronics everywhere. This not only means a saving of raw materials and higher labor productivity but also makes it possible to buy computers at a lower cost. Unlike our country, the information technology boom in all capitalist countries has been accompanied by a sharp reduction of prices on electronic products. If this also happens in our country, this will inevitably lead to the relative decline of tempo. You will agree that such a decline in our country would be the equivalent of spasmodic qualitative growth.

Thus if the Soviet economy's current development is judged on the basis of the growth rate of national income or social labor productivity, the lowering of this rate would attest to the normal course of the economic reform and reconstruction of the national economy. Conversely, high growth rates in the present situation are an indication that economic development is continuing in previous directions or that the statistical data are unreliable.

The problem is not that we are not developing at a sufficiently rapid rate but is rather that this development is irrational: increasing volumes of resources are invested in useless types of economic activity that do not bring the desired return in the form of betterment of the people's well-being.

But this is specifically the goal of perestroika. Any dogma—even if it has the aura of being “scientific, but does not stand up to this basic criterion of perestroika—must be vigorously cast aside.

At the same time, we must avoid making hasty decisions. Success will depend on two invariable conditions: that variants of the whole conception of socioeconomic development be studied in detail with the participation of the broad masses of working people and that stages in the implementation of the reform be precisely defined and the criteria of their completion be identified.

This must be an action program of the people and not just one more directive handed down from the top. Now, at a time when the economy is at the crossroads, it is very important to make a correct choice of the road that will lead us to a place where man will live an incomparably easier and better life, where he will be given the opportunity to reveal his intellect and abilities, and to place them in the service of all society. In principle, it is clear that this is the road to the market, to a market economy. But while embarking on this road, we must clarify a number of important points for ourselves.

Many of our countrymen firmly associate the market economy and competition with fraud, financial speculation, consumer deception, and with squeezing the sweat out of the exploited working people. The population's attitude toward the market is reflected in the folk saying: “If you want to sell anything, you have to cheat.” However, the reality of modern developing countries with a market economy differs appreciably from standard images of entrepreneurial activity and the impoverishment of the working people.

The rationalization and regulation of market relations in modern developed countries have not come by themselves and have not been the result of the good will of capitalist entrepreneurs. The increased legal sophistication of the broad masses, the rationalization of public consciousness, the development of societal oversight over economic activity, and, not of least importance, competition and the intense struggle of enterprises for the consumer have been the principal factors. Today it has become simply disadvantageous to deal dishonestly, to cheat partners, consumers, or workers. All fraud very soon becomes public knowledge and with the loss of the reputation of a decent, honest person, banks, business clubs, and associations close their door to the entrepreneur, and customers turn away from the given firm. A good reputation has acquired exceptionally high commercial value.

The market is essentially an aggregate of rights. The right of producers to make independent decisions on the mix and scale of production; the right to set prices; to enter into various contractual relations with partners in economic activity. The right of customers to acquire goods of the desired quality and type and to the free choice of a supplier. The right of the working people to be paid for their labor in accordance with its quantity, quality, and the skill level at which it is performed. The right of the working people to a decent living standard, to a decent

income, and to having their interests protected by state organs of power. The right of the state to receive revenues and to implement decisions necessary to the discharge of its functions.

### On the culture of business relationships

All these rights do not exist in themselves, but are realized in the complex system of social relations that are regulated by organs of legislative, executive, and judicial power, and by specialized social organizations. The market cannot function effectively without a developed system of institutions that protect the rights of producers, the population, and the state. But since the effectiveness of legal institutions is determined by general legal sophistication and ethics of the population's business relationships, it can be said that a quite high degree of legal sophistication on the part of the masses and high business ethics are a necessary condition to the effective functioning of the market.

Entrepreneurs operating in the market are indeed guided by the cold calculation of maximizing profits. They choose the easiest, most reliable avenues to this goal. Jacking up prices, speculation, falsification of product quality, tax evasion, and other forms of fraud are a very easy way of extracting income—a much easier way than increasing the effectiveness of production. The attempt to maximize income prompts entrepreneurs to engage in unfair competition and only developed social oversight and strict demands by the business community to observe decency and ethics in business relations, reinforced by the power of the law, and keep entrepreneurs from actions that run contrary to public interests.

At the same time, the working people are interested in raising their standard of living irrespective of the quantity and quality of their labor inputs. Only the high culture of production relations reinforced by a developed system for the coordination of interests and the legal resolution of contradictions guarantees the economic system against extraordinary pressure on the growth of wages.

The significance of high legal sophistication of the population and ethics of production relations for the effective functioning of the market becomes obvious if we compare the action of market relations in highly developed and less developed countries. The system of production relations in Latin America, for example, operates according to the same principle as the USA, Western Europe, and Japan. The results, however, vary. And the point here is not the size of the cumulative production potential (in the Federal Republic of Germany and Japan, it was substantially destroyed by the war 40 years ago). The lack of legal sophistication and of ethics of economic relations in the social consciousness of the developing countries is the principal for the low effectiveness of the Latin American (and all the moreso, the

African) market. Their economy is not protected against the tyranny of domestic and foreign entrepreneurs by the institutions of social control over economic activity.

Under the conditions of a low level of legal sophistication and the ethics of business relations, the bribery of state officials, blackmail, the application of violence, and in some cases, coups d'état, become the usual arguments in market competition. The lack of development of state and social oversight over entrepreneurial activity creates the possibility of unfair competition of producers, especially large producers. Unduly high prices on finished goods and unduly low prices on raw materials and manpower, the falsification of product quality, and the creation of favorable conditions for activity through the bribery of officials are usual phenomena in the economies of the developing countries.

At the same time, the low culture of production relations prompts the working people not to look for rational ways of obtaining higher pay—by increasing labor productivity, for example—but rather to go out on strike and to engage in political struggle in order to increase their income without regard to the real productivity of social labor.

Uncontrollable inflation, anarchy of production, splashes of ethnic tension, and general economic and political instability are the result of development of market relations in an environment with low legal culture and undeveloped economic ethics.

Unfortunately, in Russia the attempt was made long ago to judge not according to the law but "according to conscience" (i. e., in accordance with traditional views about social justice). The last decades have done little to strengthen legal conscience and to inculcate the ethics of production relations. At the same time, the relatively high educational and the general cultural level of the greater part of the population of the nation makes it possible to hope that the legal culture and ethics of production relations can, with the restructuring of the economic and political system, be raised in quite a short period of time.

The breakthrough in social consciousness is the guarantee of perestroika's success. Until the majority of the population learns to think and act in the new way, not even the most decisive reform of the system of management of the economy and society can guarantee the irreversibility of change. The introduction of new economic relations must therefore be accompanied by mass propaganda of the system of values corresponding to them.

Thus the development of individual and cooperative activity and the lease contract must be accompanied by the propagandization of such an ethical norm as the respect for and the inviolability of property, which is so fundamental to the development and market relations.

This norm is extremely undeveloped in the public consciousness. Citizens' ownership of means of production used in conjunction with hired labor is unlawful and hence open to the encroachment of both individuals as well as of state power. Mass organized crime against the property of cooperatives, which does not encounter widespread condemnation by the public, is the other side of the same phenomenon. It is obvious that the lack of respect for one's own property and for the property of others is a vestige of communal consciousness and barracks socialism and that it will greatly hinder the development of market relations. It cannot be healed by stern legislative measures or by active propaganda. The multiplication of the personal property of broad strata of the population, the encouragement of all manner of legal forms of labor application, and the enrichment of the citizens are the best remedy in the given instance.

#### **The state and the population: who serves whom?**

A feeling of alienation toward labor is the reverse side of the indifferent attitude toward property. During the long years of existence of the administrative system, people lost the sense of connection between the quantity, quality, and skill level of labor on the one hand and the amount of its remuneration on the other. The workers' thinking became firmly oriented toward receiving rather than earning income and, moreover, toward obtaining a certain guaranteed minimum. There is something not entirely right about the orientation toward intensive labor for the sake of high earnings. It is not by chance that the broad masses are ill-disposed toward cooperatives, lessors, all forms of personal enterprise and that high incomes are associated with underhanded practices. A graphic example of this is our press's broad condemnation of latter-day millionaires who, even though they are operating within the law, are becoming rich.

Moral norms that condemn enterprise, high income, and intensive labor, and that orient the individual toward a guaranteed minimum wage irrespective of the quantity and quality of labor, are a serious obstacle to economic reform and the development of the socialist market.

These features of the mass mind did not form in just one decade. They reflect the objective status of the individual in the administrative system that rids man of the concern to display any initiative and enterprise and the concern for means of subsistence.

This is reflected most vividly in the patriarchal attitude of the citizen toward the state. It is perceived as a stern, demanding master that stands above society, that disposes over all social activities, and that secures the equitable distribution of incomes. People feel that they are serving the state and that they are receiving pay for this service.

Such an attitude toward the state is a striking contrast from the attitude that is characteristic of citizens with a developed market economy. They view it as a common,

heavy burden that everyone must share. After all, the state with its large apparatus functions at the expense of citizens and enterprises that finance state expenditures from their own income. It is popular to compare the state with a night watchman who has to be maintained from the need to keep order.

The position of the state in society is manifested in the practice of financing its expenditures. As is known, in our country it is the practice—legalized by departmental decrees—to take part of the profits of state enterprises and to pay it to the budget. It is curious that income received by the treasury from the enterprises is also returned to the enterprises by the treasury but in redistributed form. Thus, well-functioning enterprises pay for negligent enterprises just as the healthy members in a patriarchal family feed the family's dependents.

Citizens also finance the state. Thirteen percent is regularly taken from their pay and paid to the state budget in the form of revenues. Once again it is taken; the citizens do not contribute it independently. Thus the non-independent status of the citizen as a state employee is once more reinforced in the thinking of the masses.

As already stated, the development of market relations presupposes a corresponding change in public thinking. It includes change in people's attitudes toward property and labor, the inculcation of respect for order and the law, and, naturally, the rationalization of legal norms. Relations of the individual and the state, including the procedure for financing state expenditures, must undergo corresponding change. It must be placed within the strict framework of the law. Taxes on the incomes of citizens and organizations must become the sole source of state revenues.

In our view, the tax declaration, which is widespread in practically all developed countries, is needed here. Each taxpaying citizen will then be required to inform tax organs about all income received during the year, about the sources of income, about personal property and real estate. A tax scale will be established for each of these articles depending on the level of income or the value of property owned. This will be the basis upon which taxes are paid to the state budget and to budgets of city and local organs of power. The taxpayer himself usually makes the valuation of his property, but the authorities reserve the right to release property at the price indicated in the tax declaration.

The creation of such a mechanism would make it possible to dramatically alter the existing picture of economic interrelations.

First, the negative illusion of the state as universal benefactor and breadwinner would disappear.

Second, we will learn the real differentiation of incomes and accumulated values in our society.



Third, the accents in the struggle against economic crimes will change dramatically.

Fourth, the tax declaration creates a uniform foundation for the development of the total diversity of forms of production activity—cooperative, contract, leasing, joint-stock, state, etc. They can be effective only when all these forms “play according to the same rules,” and not when one plays soccer, another plays hockey, etc., as is the case at the present time when different state regulatory methods are used.

The fifth and final point is that the tax declaration carries with it legal and economic sophistication which the great majority of the population as yet lacks to the extreme.

We recognize that we must build a market-regulated economy. However, we must go farther and understand that we lost time while we were acting according to the principle “we weren’t born yesterday.”

## PLANNING, PLAN IMPLEMENTATION

### Reform of State Order System Needed

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[Article by P. Bunich, Corresponding Member of USSR Academy of Sciences: “State Order: From Plans To Reality”]

[Text] When the state order appeared for the very first time—initially there was a bewildered silence. Voices gradually began to be heard implying that this was not an order but rather a command and that everything remained just as in the past. For a period of several months prior to the party conference, the scale of speeches opposing the state order reached a zenith point, but just as quickly the tension subsided and there was a reason for this. Each economic executive simultaneously has two faces: that of a consumer and a salesman. As a salesman, he wishes to sell freely. And thus he spoke out against the all-encompassing state order which restricts him. However, before very long the economic executive came to understand that there was nothing to sell if there were no raw materials, other materials and so forth available for sale. And then there was social opinion—in the manner of a wall, it stood behind the state order 100 percent which, in the absence of a market for the means of production serves to nourish the plants and factories. When the discussion turns to selection: “order or rejection,” an order is automatically selected. The danger of supply being taken away is a greater evil than the deprivation of independence. This absurd phenomenon is also continued by conservatism, a lack of desire and an inability on the part of leaders of “toylike work” to find the needed raw materials and to display concern for marketing. Unfortunately, there are many such leaders, but they are hardly in the majority. There is a legion of

“hungry and thirsty” individuals who dream of creativity and more or less programmed Soviet Putilovs who, it is hoped, will make a decisive input.

There is still another factor which tends to weaken the interest of economic leaders in criticizing the state order. As soon as it mechanically replaces the former state task and the incentives for enterprises attuned to it, and whether or not an order is issued to them, no change will take place in their status. The role of amortization specialists, who try to have everyone fit the same pattern, is to fulfill the individual norms for distributing the income of enterprises which, regardless of the size of a state order, leave as much funds to the collectives as authorized from above. They take away from the best resources and they add to that which is already available to society. Age-old “state interests” appear within the limit, with the expenditures of these interests exceeding the results. The more they work, the poorer society becomes. But nobody remains in the absence of wages, the incentive funds are the same and capital investments are allocated as they were in the past. No better than they were and no worse. Nobody won and nobody lost. That is, the situation was not fatal. It is possible to live. The economic executives understood this fact and they relaxed. Here then is our material basis—the best in the world of nails as a poet was moved to state. Forced labor leads to meagre results. There is an eternal debt to the homeland. It is good that socialism constitutes a record. Nothing to gather in and only meetings to be convened.

State orders were once again criticized during the party conference. Several variants for improving them were mentioned in the press, variants which were consistently discussed and declined by Sovmin [Council of Ministers]. Finally, a Temporary Statute on a System for the Formation of State Orders for 1989 and 1990 appeared.

The new state order represented a step forward compared to the former system. Its sphere became more specific in nature: revolutionary advances in scientific-technical progress, foreign deliveries in accordance with inter-governmental agreements, deliveries to state reserves, advantages for the producers of goods sold at socially low prices, supply for the defense sector and so forth. It is obvious that this selectivity moderated somewhat the former selectivity of the state order and it produced a situation in which the enterprises were given a certain amount of freedom. It was also written that a state order is ensured by limits placed upon the more important logistical resources, construction-installation and contractual work (freshly committed) and marketing (we will get along—we will see). This then is what can and must be said in favor of a state order. There is scarcely any basis for great euphoria. Thus its evaluation as a fundamental and basically new approach, as stated by the deputy chairman of USSR Gosplan L.B. Vid (EKONOMICHESKAYA GAZETA, 1988, No. 36, p 2) appears questionable. A great amount of noise has been heard regarding the present state order—harm to a patient by an incautious word from a doctor, with the

patient being the economy and the doctor—an economist. Excessive praising of the state order is shutting down the question as to whether or not it has been clearly solved or decided beforehand. At the same time, when necessary, society must on the other hand be oriented towards an immediate discussion regarding its future concept and the availability of adequate approaches, such that we will be fully prepared for the new five-year plan and for enduring in a timely manner a truly decisive phase in the establishment of the new mechanism for centralized regulation of the economy. Enthusiasm over the new state order is not in keeping even with the title of the statute, named temporarily owing to the fact that it was obviously adopted in the absence of enthusiasm and not based upon a good life, as a compromise or half-measure, otherwise the stipulation regarding timeliness would be unnecessary. The discussion concerning the state order commenced. Many troubled voices were heard. Most concerned particular questions. It appeared as though we were in the same situation which prevailed directly prior to the party conference. An evil with positive recommendations, in the absence of which critical and destructive forces are not being converted into productive ones. The situation is heating up and it is not known exactly what actions should be taken.

#### What Has This Led To?

Let us turn to the wording for the sphere of the state order. Here a predominant theme is satisfaction of society's priority requirements. This wording is rather amorphous and broad and can encompass whatever you please. A chief thought is the fact that a socialist society is incapable of satisfying its own priority needs in the absence of external pressure upon the enterprises and that labor collectives by themselves are incapable of sensing the priorities and responding to them. There is a firm conviction that we cannot survive in the absence of a state order, that command methods are taking root, that we must have blind faith, that everything is apparent only from above while below—there are only blind, deaf and dishonest labor collectives. Hope is seen in a system of instructions, vast centripetal accumulations and all-union funds—agricultural products and construction materials. Allotments and funds are lacking in many countries, while goods are available. Thus, more effective mechanisms exist for the production and sale of products than centralized priming and re-priming methods.

Let us move on to other aspects of a state order. It encompasses all oil procurements. A question immediately comes to mind: why force the production of all oil? Would it not be more correct to order oil only at those times when it is needed for the state and it is unprofitable for the producers? And if it is unprofitable, should not the prices be examined? If not today, then tomorrow. But if we explain to people that when the prices for all goods adequately stimulate their producers into performing fine work, then they will undertake the role of "autopilot" and the state order will suffer sharply. In the machine tool industry, a state order defines approximately 15 percent

of the branch's program, in instrument making—roughly 41 percent and in the automobile industry—21 percent. In such sectors as power engineering, hoisting and transport operations and polygraphic machine building, the proportion of the state order ranges from 1 to 40 percent. Such diversity reflects more the stretching of a rope between the ministries—clients and producers, Gosplan and Gossnab—than do clear scientific criteria. A state order is especially great for food and industrial goods for the people, where it would seem there proportion should be minimal. The state order encompasses the production of all sugar, vegetable oil, groats, macaroni products, tea, furs, potatoes, vegetables, melons, fruit, berries, citrus fruit, mixed feed, hay, cotton fiber, flax fiber, wool and leather raw materials. In the case of Minlegprom [Ministry of Light Industry], the state order defines the production of children's things and products for youth and elderly persons. Who remained outside its jurisdiction? Only people of middle age. In branches which produce goods for the people, in addition to Minlegprom, the state order fully encompasses color television sets, washing machines, refrigerators, furniture, vacuum cleaners, wall-paper and 80 percent of the watches. And outside of its jurisdiction—small VAZ [Volga Automobile Plant] automobiles. At the same time, enterprises of Minavtoselkhoz mash [Ministry of Automotive and Agricultural Machine Building], which procure small-scale tractors and mechanical instruments for the population, received a state order for 75-80 percent of its overall program. Paper for books and magazines is not issued on the basis of a state order, while that for newspapers is so issued. Domestic services are completely on a state order basis: sowing and repair of footwear, clothing, laundries, baths. A state order defines all commodity turnover. In 1989, construction will have a state order for 90 percent of its capability and in 1990—for 85 percent. A state order encompasses the principal types of the cement and asbestos industry and technical glass. The proportion of the state order for MPS [Ministry of Railways]—60 percent of the freight shipments and passengers transported, civil aviation—100 percent and for automobile, river and pipeline transport—0. For Minsvyazi [Ministry of Communications], a state order defines the growth in the principal telephone units and for Minleskhoz [Ministry of Forestry]—the volume of the most important work.

The impression is being created that the value of state orders is comparatively low in those areas where other levers are available for achieving the same result, but with one small difference—with no guarantee for supply being presented to the collectives. In the absence of an order—formally and in the absence of support—truly. This then is how the status of the enterprises improved with the new statute! In the various branches, concealed forms of pressure on the collectives take different forms and have different strengths and more or less specific value. Thus, in some areas all hopes are dependent upon a state order and in other areas upon its equivalent under a different name. What does this mean as far as the other levers are concerned?

The first—a dependent situation for the suppliers, who are unable to deny the customers, within the limits of their specialization, especially if the economic contacts with the consumers function for not less than 2 years. Thus one state order to a final producer who appears as the customer for previous elements and suppliers of completion parts can serve to tie down dozens of enterprises. This is not in keeping with the equality of partnership relationships. If a supplier can improve a product which is needed by a new consumer, then existing practice inhibits this possibility.

The second—control figures lie heavily upon the enterprises. In accordance with the idea, they are indicative and optional. But just as in the past, those ministries which are responsible for the branch as a whole impose the control figures upon the enterprises in the interest of fulfilling the branch tasks. They published the Principal Methodological Statutes for the Leasing of State Enterprises. It is stated once again in these statutes that these enterprises must be guided by the control figures. Can we deal so sternly with these “free” and at times backward collectives? In an instant we grew younger by several years. The paper might blush—in all probability, it blushed from embarrassment in the manner of a youth.

And finally, the crowning point. I will cite a quotation taken from the Temporary Statute Governing a State Order, which is both long and dull although I will not say that it is worse. “Questions which arise during the course of regulating logistical supply for the national economy for products not included in state orders are examined and solved: for products of intra-ministerial consumption—by the appropriate ministries and departments; for products produced and used within national economic complexes—by the corresponding complexes of USSR Gosplan, USSR Gosstroi, USSR GKNT [State Committee for Science and Engineering of the USSR Council of Ministers], and also the permanent organs of the USSR Council of Ministers, USSR Gosstroy and USSR Gosagroprom [State Agro-Industrial Committee]; for products of inter-complex use—by the corresponding ministries and departments of the USSR, the union republic councils of ministers and by the permanent organs of the USSR Council of Ministers jointly with USSR Gosplan and USSR Gosstroi.”

We are reporting this position briefly and in a more understandable manner. Everything that is not found in the state orders falls within the competence of higher organs. Enterprises are completely eliminated from an independent handling of their products and the finding of partners. It would seem that the Law Governing a State Enterprise, in which it is stated that the collectives compose their own plans, does not even exist. A portion of these plans are “issued” by state orders and a portion—by higher organs.

We are encountering frank formulations regarding direct state contracts for everything not included. For example,

construction enterprises are being forced by the ministries and departments to carry out not only the state orders for the placing in operation of projects in the socio-cultural sphere but also such installations included in the summary plans.

In almost all areas, the sovereign rights of enterprises are being usurped not so much by the ministries and departments, but rather by USSR Gosplan. For products of intra-complex production and use, USSR Gosplan complexes are considered to be the element for primary review and decision and for products of inter-branch use—the last word is had by USSR Gosplan. And this is clearly not a state order!

At times, a state order is issued by an organization other than Gosplan. For example, USSR Gosagroprom, by way of an exception, is authorized by agreement with USSR Gosplan to form state orders for agricultural products and the processing industry of this complex. The union republic councils of ministers, through the republic ministries and departments, also establish state orders for enterprises of the republic's economy. Thus the statement that state orders are formed by USSR Gosplan is insufficiently accurate or, more exactly, is sufficiently inaccurate.

From this same package of instruments for pilfering the rights of enterprises, we have the wording: “Disagreements which arise between the general construction and specialized organizations of ministries which are included in the structure of the construction complex, on questions concerned with the carrying out of work at these installations (included in the state orders of builders) are reviewed and resolved by the corresponding ministries and USSR Gosstroy and the construction ministries and departments not included in the construction complex—by USSR Gosplan.

If the state orders of Gosagroprom and the union republic councils of ministers are added to the state orders of Gosplan, such orders, only without the prefix “gos” [state], issued by Gosplan, Gosstroi, GKNT, the ministries and others, a forced a priori assigned character for direct contacts and a pressing of control figures, then does much remain to be determined by the enterprises themselves? Thus we can hardly consider as convincing the information that the number of indicators for delivering products in the form of a state order has been reduced during 1989 by a factor of six (EKO-NOMICHESTKAYA GAZETA, Issue No. 36, p 4). In addition to the fact that only a formal state order of USSR Gosplan has been taken into account here, this figure derives from another more important one: the volume of the state order which, for a small number of items (consolidated, arranged together) can even be larger than that for a broad nomenclature of products. Somewhat closer to life and further from propaganda is the statement that the volume of a state order for the next two years is being reduced by a factor of 2-3 (PRAVDA, 1988, 21 July, p 2). Such a stretched out



amplitude for the proposed reduction in its proportion is not peculiar however for our strong Gosplan, which usually appears with simple and not diffused plans. Perhaps here we see the effect of inadequate preparation of the state order question from its standpoint.

State orders, upon instructions from Gosplan, are issued to enterprises by the production-ministries. And why not by the customer-ministries? They could do this work in a more interested and economic manner and they could introduce direct and efficient relationships between the customers and contractors.

### Alignment of the Route

What furnishes the basis for the old approaches to a state order, such as a "departure from evil and the creation of blessings"? Everything is dependent upon cost accounting; it is the Archimedean lever. We do this efficiently and completely—the collectives, in the absence of speed caused by a swollen state order, complete the maximum possible amount of work. Aware that their well-being is dependent upon the work carried out, they do not understate the plans (assuming no mistake is made), but to the contrary they will search for demand and pursue each ruble of a customer. In modern economics, this is achievable only on the basis of timely self-support in the form of raw materials, equipment and so forth by the producers, that is, in the presence of agreements with the suppliers or, in other words, with a plan and a tense one at that.

At the present time, two cost accounting models are being used almost exclusively in the state sector. Both retain individual norms for the distribution of income and leave us indifferent to the work, inert and sluggish. Everyone receives only small amounts and yet the amounts are the same and guaranteed. Such equivalence in the models being employed places an enterprise in the position of a donkey who finds himself confronted by two identical decisions, with only the difference that the donkey must select between two armfuls of hay and the enterprise—between two cinders.

Distinct from the state sector, cooperative workers earn considerably more and different amounts, although they are not guaranteed. Thus there is no need to persuade them to work. How can such an attitude be adapted for work in the state sector? A solution was found—a non-normative cost accounting model. Here (with a deduction of taxes for society) the collective divides up the income entirely. The earnings not for the past year as in the state sector, but for the present year as in cooperatives. This serves to instill in an individual the strength of Anteya and economic interest and it forces him to work well based upon internal interest—a most powerful stimulus.

All power is turned over to the labor collective soviets which solve all problems and thus are responsible for any production questions and the social development of the

enterprises. They are justified in stating: we are the state. At the same time, the following slogan is deemed to be quite fair: "All power to the soviets of people's deputies," who should have the last word in defining territorial development, protecting nature, job placement for the population and city construction, all of which indicates that we represent the state. Their integral—"All power to the soviets."

The non-normative cost accounting model in the state sector is assuming a lease-type modification. If a lease payment is not introduced, the state enterprises will confer upon themselves that which was created not by them and they will take the profit due to the lessor and obtained by means of society on the whole. Thus the amortization deductions which provide reimbursement for social value expended during operations and a certain percent for the "capital" from the profit of the collectives will naturally belong to it and taken together it will form the lease payment. With an indefinite lease (and such appears to be extremely promising for entire enterprises), a lessor leaves the amortization to the lessee, thus transferring over to him material responsibility for the further life of the installations covered by the lease, up until their complete writing off because of economic worthlessness.

True, a payment exists for funds which a state enterprises transfers over to the budget. But it is worse than a lease payment, since it does not include amortization: as a rule, it is accepted in the form of a single percent over the course of many years, rather than fluctuations which are dependent upon demand and supply as far as lease type arrangements are concerned.

Cooperatives create their own funds at their own expense and thus it is right for them to retain for themselves the amortization and profit for "capital." Upon taking certain installations on a lease basis, the cooperatives are unquestionably responsible for paying for them. A lease payment places state enterprises and cooperatives under equal conditions. When the productive capital of state enterprises increase at their expense or capital leased from the state is paid off, then the amortization and profit for the "capital" must also be left completely at the disposal of the collectives.

A lease contract is today the highest form of cost accounting for enterprises. Thus ideally a transfer should be made from the first cost accounting model, by-passing the second, aligning the route and directly forming the economic system of socialism while omitting the liberalized command system. Accomplishing this is somewhat more complicated than following a path known since childhood and yet the more profound the change the more rapid and effective will be the algebra of revolution and the more efficient the arithmetic involved. It is important for lease relationships to arise in keeping with the degree to which they are understood and have

matured. They should not be "introduced" in an administrative burst of enthusiasm and on an emergency basis in the literal sense of this word.

But we will not yield, as the saying goes, to clinical optimism. There are people who have lost their habit of working well and who cannot quickly or easily be returned to active life. These people prefer to do nothing for 200 rubles per month rather than work for 500.

Unfortunately, the interest of a cost accounting Gulliver has not been aroused. Contractual lease collectives are small islands of health in an ocean of disease. If under these conditions the collectives are told to do as they wish, then it will be easy to guess what will happen: although everything was equal prior to the plan, the enterprises spare no effort in the interest of understating them to an even stronger degree. There are not many methods remaining for preventing this from happening, with the exception of imposing a swollen state order upon an enterprise, one which forces it to work as deemed necessary by the state, if only at the level for the previous year with a slight increase. A state order can and must be reduced to the same degree that cost accounting becomes stronger and the lease contract is further disseminated. When a producer wishes to obtain the same as does the consumer, the state order is the third unnecessary factor. And if discrepancies arise somewhere between the partners, then nobody will prevent use being made of the services offered by a state order.

### Stimuli and Competitions

Distinct from the earlier state orders, the new ones somehow serve to provide stimulation. The plans call for the enterprises to increase their remaining profit on the order of 10 percent by means of a reduction in the budgetary payments. Why up to 10 percent? It can be lower and yet it is comparatively not burdensome from a financial standpoint. The privilege is abolished if the state order is unfulfilled. By 0.01 percent and also by 100. It is established only for enterprises of the processing industry and contractual construction organizations which create production installations and also for enterprises of non-profile branches engaged in the production of consumer goods. The stimulation of enterprises which produce non-food goods has still not been defined. The fuel-raw material branches are being stimulated only for above-plan state orders. Planned state orders, and this constitutes the chief portion, have been removed from the incentive mechanism. No provision has been made for granting additional awards to agroprom enterprises. And since a state order remains without stimuli, then naturally it remains a burden. Today we have competitions for a low plan. There never have been nor are there now competitions for high orders.

It is only in those instances where the orders are profitable that the private and collective interests merge with the public interests and we have a balance of interests

rather than the realization of some at the expense of others. Various methods exist for priority profitability in the use of state orders: raising the prices for production-enterprises, (but not consumers), favorable crediting, tax, amortization, currency, customs and supply advantages and direct subsidies. The selection of the method or their totality must be determined by the specific situation. There will then be a rush to obtain state orders and proposals and competitions will arise.

If with regard to a chief factor—the establishment of a state order—an enthusiastic attitude does not prevail, then deviations from it which cause harm to the producers are reimbursed by those organs which issued the state order—branch ministries using their centralized funds and reserves; USSR Gosplan, USSR Gosstrib and union republic councils of ministers—by means of the appropriate budgets (union, republic). It would be more fair for compensation for damage to be provided not by those who established the state order but rather by those who adopted the decision for examining it.

### Planning and the Deficit

The enterprises have too much money. There are fewer resources. Particularly good resources. The prices for these resources are old and still have not been reviewed. If such resources are freely sold, they will go to those who are closer to the deficit and not to those for whom the resources are more important. If we are mainly a country of demand and not supply, then our socialism is being transformed into a state for accounting and distribution. A super state order is a guarantee for the appearance of limits and distribution "according to cards."

Limits have burst into the sphere of private consumption and where they are not to be found—here one finds lines which in principle are similar to the lines associated with free trade in deficit means of production. And this is the same power of the owners of the deficit and the same abuse of it.

At the present time, the lines are being discussed and condemned in all areas. The opinion of some specialists, which holds that the lines are caused by an insufficient number of trade areas, is only partly true. If the size of these areas increases and the commodity bulk remains as in the past, then the lines will be distributed over a greater number of stores and salesmen who, following the sale of the deficit goods, will begin standing idle. It would then be better to reopen the wind and vodka product departments closed earlier rather than create new trade points which are in operation for only 3 hours each day. The statement that trade is mainly guilty of having the lines occur is, if you please, just one more flash of economic romanticism, known for its unsuccessful attempt at overcoming drunkenness through a reduction in the sale of vodka.

Thus, limits will in all probability continue to be a bottleneck in the economy. Although the savings in material expenditures in 1986-1987 amounted to only 0.1 percent compared to the 2 percent called for in the plan, the limits for 1989-1990 were formed based upon the idea of over-fulfillment of the five-year plan for realizing economies in their use. There can hardly be confidence in carrying out such an intention or in the availability of new massive forces capable of placing it in action.

Nevertheless, how can the limits which nourish the state orders be torn up by their roots? This can be accomplished by this same cost accounting, which is capable of curtailing the sphere of limits. Because it generates a recommendation and not irritation and is interested in economizing in the use of resources and reducing the demand for them.

#### Cost Accounting and Prices

It was mentioned above that the prices for resources being delivered to enterprises are not in keeping with their quality nor quantity. But resources are created before they are distributed. From the standpoint of the consumers, unacceptable prices are detrimental to the producers. The swelling up of a state order—a method for introducing enterprises into the correct channel compared to existing prices, a factor which was especially needed prior to the price reform and is required following the reform since the role of the impending reform can hardly be exaggerated. And following the reform we will for a long period of time administer the price actions and adjust the prices themselves.

What type of price formation does not need the crutches provided by a state order? Obviously, that type which reinforces cost accounting, opens up the path for new developments and places a barrier in front of old methods no longer needed for production. But many products for which the demand is great are continually increasing in price. This applies to both cooperative and state production. This then is the Achilles heel of the economic reform. And what would be the situation if the earnings of the people increased to a greater degree—would this really be bad? We must fear not high prices that are covered by growth in income and based upon a non-normative lease cost accounting model, but rather low prices and falling incomes, which adversely affect the standard of living by suppressing interest in the production of good products and dooming the economy to a vegetative state.

We have become accustomed to the fact that the prices are established on a centralized basis. This belief is strengthened by Goskomtsen [State Price Committee], which protects not only the foundation of socialism but also its own interests. Nevertheless, it is recalled that in some kingdoms and certain states, including socialist states, free and contractual prices are being employed. And there appears to be nothing wrong with this. The

economies are not collapsing and their living standards are higher than ours. Can we not devote some thought to the positive aspects of self-regulation of the entire mechanism? For a beginning, approval should be given for a group of products and certainly an important group. Given the initial deficit during the period devoted to achieving the normal trajectory for the ratio between supply and demand, the prices would increase in some areas. However, if at the same time the enterprises are left free to distribute their income, then wages will increase. Firm salaries, pensions, allowances, stipends and others must be corrected in a timely manner for the retail price index. However, we are able to raise the prices, while the income remains as before. Such a variant with contractual prices is fraught with the worst consequences. And our readers, who have grown wise with experience, quite properly avoid them. At the same time, the intent to curb the growth in prices by freezing them or through maximum profitability norms—is an old but tenacious illusion. The only result produced by these measures—the destruction of cost accounting.

Cost accounting resists the disappearance of low profitability goods, since after the market has become saturated with highly profitable products the gain increases only through the sale of less remunerative products for which there is unsatisfied demand. Low quality goods remain on the shelves for long periods of time. Surpluses develop and primitive products remain in the storehouses of the producers.

But let us return to the subject of growth in earnings. When trade is carried out in unsuitable products—there are practically no stimuli whatsoever. In combination with the production of very attractive products—they are sought after in full voice. What needs to be proven if use is made of all conclusions drawn? With an improvement in the price, the state order should be decreased to the same degree. And when socially low prices are needed for society, there is no other better means than the use of a state order.

The economists advocate competition and de-monopolization. However, it should be borne in mind that competition will not bring about a reduction in prices when there is a deficit. For all practical purposes, it is paralyzed by the fact that sooner or later everything will be purchased or bought up and at high prices. Construction operates at full strength based upon well known reproduction and at a time when a lowered price ensures the sale of a product while extended prices do not. Cost accounting will make it possible to engage in such reproduction. It will carry out the first stimulus better and to a greater degree.

Competition inhibits the allotment methods for command economics. Labor ideology, which only after market testing becomes recognized and public, is responsible for the cost accounting system. The direct allotment of each product from producer to consumer, issued on the basis of the social character of labor, conforms to the

command model. Only the production of consumer goods, which to a certain degree is checked and rejected by us as free customers who tolerate disobedience to an instruction, is not subordinate to this model. There can be no argument: as a controlled, regulated and planned economy, socialism stands closer to direct social production than does a spontaneous economy. But if we take this position to compulsory industrial allotments, then the blessing is transformed into a shortcoming. Some instances involving an excess of goods strike more at the country's pocket than at the collectives. The sensitivity towards work slowdowns remains atrophied.

Thus there are fewer new developments in the new state order compared to the old one, with the exception of its effect in cooperation, which is always stimulative and thus voluntary. "History is heard in your new developments." The situation is similar to that of old clowns being forced to learn new stunts. It is not a fatal situation and it can be gratefully received. A damaged state order must be destroyed. And a great amount of attention must be given to cost accounting, the lease contract system should be developed boldly in all areas and funds should be found without having to wait for them for the training of managers, with this task being viewed as just as important as solving the food and housing programs and also the production of non-food consumer goods. For it is this that will bring about a reform of the state order—one of the more important economic reforms.

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### **Discussion Reveals Obstacles, Limits to Wholesale Trade System**

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[Conversation between unidentified delegates and L.A. Voronin, chairman of USSR Gosplan: "Pluralism of Opinions About Something New Is Always Useful"; data and place not specified]

[Text] A frank conversation between delegates and L.A. Voronin, chairman of USSR Gosplan, was held after the plenary and section sessions of the practical scientific conference on the development of wholesale trade.

In opening the meeting, L.A. Voronin, who presided over the conference, dwelled primarily on the problem of the state order, which is the subject of a large number of questions. He noted that at the present time there is a lively discussion about the state order and this is understandable and justified. The first step was taken in 1988 and it turned out to be unsuccessful: the whole idea of a fundamentally new practice was almost completely reduced to the old address distribution of resources. The

omissions of USSR Gosplan and USSR Gosplan, other administrative bodies and ministries had an effect. They worked together collectively and make mistakes together.

The first major practice for the real state order will be in 1989. But this certainly does not mean that at the end of the year we will obtain some kind of standard for the performance of such work. On the contrary, the opinions on this account are the most varied and if someone adheres to his own point of view he must not be viewed as a dissident. Pluralism of opinions in our time and especially in a new practice does not harm it but is a benefit. Therefore, it is clear that the best thing is to take the results of the year and calmly and reasonably assess the accumulated experience and consider the existing points of view, separating the wheat from the chaff, and then make the appropriate decision.

[Question] Will the entire list of products distributed in the country be turned over to the system of USSR Gosplan?

[Voronin] Let us first get our terminology straight. Today we are talking about the necessity of introducing wholesale trade but a comrade who sent a note with an illegible signature continues to insist on distribution. It must be supposed that the question is formulated not completely accurately. I understand that it is a matter of the development of balances.

A great deal was done last year to improve such work. In particular, a large number of balances were transmitted to us from USSR Gosplan and they have already been prepared here for 1989. Such work certainly will continue in the future as well. But this does not at all mean that Gosplan is establishing a monopoly on the entire products list. USSR Gosplan is a body that can exist in the country in the singular. And there is a kind of output—petroleum products, for example—in which only it can work out balances in the foreseeable future.

At the same time, a number of difficulties arose in the course of the transfer of the balances from USSR Gosplan to USSR Gosplan. The first of them is that to do a good job of preparing the balances through which all bottlenecks and contradictions existing in the national economy are reflected to some extent or other, we must have the possibility of overcoming these same bottlenecks. But today the instruments for the resolution of such questions still remain in the hands of Gosplan and not Gosplan, which naturally greatly reduces the effectiveness of our work.

And secondly, in taking on the development of the balances without adequately effective means of influencing the economic mechanism, we frequently cannot break down the disproportions that have arisen over the years or we do this much more slowly than is needed and we spend much more effort than is necessary under other

circumstances. We are actively working on these matters. I do not want to say anything bad about our comrades from Gosplan but still I will note that they have a considerable responsibility for the resolution of such questions and they do not always do a good job of justifying it. Therefore, taking into account the specific situation, when we see clearly that we can handle the balances, it will pick them up in its system. But we are still not finding a solution for several aspects.

[Question] I work in the system of the Ministry of Construction in the Southern Regions of the USSR. After our subdivisions were shifted to wholesale trade, several of them found themselves unsupplied with a number of machines, instruments and spare parts. Appeals to USSR Gossnab brought no results. What measures are being taken to correct the situation?

[Voronin] Yes, 1988 was indeed unsuccessful. It was largely our fault. We broke our territorial agency handling the material supply of the southwest rayons down into several by oblasts and we were very late with the transfer of limits. Naturally there was no efficient supply.

And yet, without in any way taking responsibility away from the offices of USSR Gossnab, I want to draw attention to the second side of the question. The one who raised the question probably should know that the comrades from the Ministry of Construction for the Southern Regions of the USSR helped us to confuse an already complicated matter, showing "enterprise," which cannot in any way go without quotation marks. Having decided that the enterprises transferred to wholesale trade will get what they need from Gossnab anyway, they gave all of their resources to others, even the output that is centrally distributed. It took time for us to clean up the mess and things stood still. We corrected such cases in the plan for 1989. But in general it is possible to answer: please, show some enterprise, the more the better. Only it must be without quotation marks.

[Question] If wholesale prices for gasoline do not remain the same as the retail prices, it will, as before, be pumped from state to individual transport. There will not even be any wholesale trade to talk about. The State Committee on Prices takes a different position. Please give us your opinion about this.

[Voronin] You know that we are preparing for a reform of prices. There are several points of view on what they should be for fuel. A large group of scientists, including academicians, thinks differently than the USSR State Committee on Prices. We are also taking part in the discussion. Our opinion is that prices for fuel must be raised. But I would not want to predetermine the decision. The answer to the question must give consideration to all the positions and opinions of the interested parties.

[Question] What is the situation in regard to the introduction of the Voroshilovgrad method of providing petroleum products?

[Voronin] The method is worthy of the broadest introduction. Three oblasts in the Ukraine are already working under it. Soon the entire Ukraine will go over to it. Comrades in Uzbekistan and Tadzhikistan are interested in it. But it seems to me personally that our fuel and energy complex has slackened its work here. Previously they met several times with me on this matter. We now meet less frequently, although our comrades are promising to see what can be done in practice in the very near future.

[Question] Will the coal supply and sales agencies under USSR Gossnab be eliminated?

[Voronin] They will not. This is clear and unequivocal. They justify themselves completely. Many comrades, especially from the USSR Ministry of Coal Industry, would like to take them over. This is an incorrect position. The national economy requires different kinds of fuel: fuel oil, boiler-mixed coal, gas. The gas pressure frequently falls, especially in the winter months. It becomes necessary to bring in coal or, on the contrary, to replace coal with fuel oil. Someone in the country must coordinate all of this work. A nondepartmental organization such as Gossnab will cope with it best of all. The transfer of the coal supply and sales agencies to the USSR Ministry of Coal Industry will lead to monopolism and rock will take the place of coal. We often encounter such situations. Our point of view is therefore unequivocal. We substantiated it and received complete support everywhere. It is difficult at this time to say whether something similar will happen in the foreseeable future. In any case, however, the coal supply and sale agencies must belong to the department that benefits the most from them. I think that this is the most reliable criterion.

[Question] The supply offices are responsible for the full provision of consumers with nonlimited products but these products are in short supply. What should be done?

[Voronin] Let us orient ourselves more precisely and we will not dump everything in one pile. The person raising this question did not read the corresponding documents closely enough and, having noted one part of the problem, omitted its second part. Unfortunately, it is a rather typical mistake in our time. In accordance with the Law on the State Enterprise, the material-technical supply offices have economic responsibility for the deliver of output in those cases when they act in the role of suppliers.

[Question] The press is publishing many materials that speak of strengthening the dictate of suppliers and its negative consequences. What is being done to counteract it?



[Voronin] In my report, I said that such a question does indeed exist and is quite acute. Work is being done in this direction jointly with national economic specialists and scientists. They are promising to make materials available to us in the near future. We will work them up and then we will present them for broader discussion. In our view, the necessity of passing an antimonopoly law is becoming rather clear. But this must be an effective law. For this reason, we must approach its preparation without haste and very carefully.

[Question] How do you intend to develop wholesale trade without commercial credit?

[Voronin] We do not intend to develop wholesale trade without commercial credit. It may be that such a thought has been heard somewhere in the sections. But I can say with certainty that it did not arise in USSR Gossnab or in any case does not reflect its point of view. There will be commercial credit without fail.

[Question] At the present time, the USSR Gosbanks are not capable of fulfilling their functions. Will they be reorganized?

[Voronin] You know that the system has been under cost accounting since 1 January 1989. In addition, a significant number of commercial banks are now being established in individual complexes and ministries and even at individual enterprises. My point of view is that there must be more banks. I think that they have not yet really begun to do the work that we are expecting of them. But there is the assurance that things will be straightened out. By the way, we in Gossnab are joining their company in the establishment of specific commercial banks.

[Question] At the present time, Lev Alekseyevich, a notable place in the resolution of the problem of wholesale trade is being assigned not only to the workers of Gossnab but also to specialists, of USSR Gosplan in particular. What will be the interrelationships between them in the future?

[Voronin] We always rely on Gosplan in our work. We have a planned-market economic system. For this reason, it is impossible to resolve serious questions without Gosplan and without its workers. At the same time, we have contradictions, there are discussions and even, in my opinion, objective criticism of planners. It seems that they are taking an unobjective position in questions involved in wholesale trade. Gosplan is striving to transfer resources to centralized distribution, thereby reducing their share in wholesale trade. This position is wrong. I have repeatedly spoken honestly about this. I say it once again and hope that Gosplan will change its point of view.

[Question] How is it possible to develop wholesale trade when there is a shortage of warehouse space with a total value of 15 billion rubles?

[Voronin] I cannot agree with the figure of 15 billion rubles. But there is no disputing the fact that there is a shortage of warehouse space. It is impossible to develop wholesale trade without it. I see the solution in the elimination of departmental warehousing bases. There are very many of them. We are timid about tackling this matter. We are afraid of extra work but there is no avoiding it. Departmental supply must be eliminated in many cases. Today it is clear that it is not always needed or is needed but in a different volume. If we organize this work, the warehouses will appear.

[Question] I do not think that I am in error if on behalf of those gathered I express our gratitude to all those who prepared this conference. The benefit from it is certainly great. But I am concerned about several questions that are as yet unanswered. We clearly must work together to answer what wholesale trade is as an economic category. That is one thing. And the second thing is what it is as a method of management from the point of view of political economy. There were many interesting theoretical statements here but they boiled down to the fact that wholesale trade will not work out. Nevertheless, it must be organized in our system.

We in the Belorussian Gossnab are trying to make this attempt. But we have too little power and many questions are beyond our competence. I think that we need to combine our efforts.

And still another question. The fate of wholesale trade depends to a considerable extent upon the development of the material-technical base. We worked together to formulate a system for the development of production branches through the year 2005. And today a program has essentially been adopted for the development of the material base of wholesale trade through the stores. I think that we are making a mistake here: we are neglecting the middle link, warehousing services. It is observed in the type of the American banking system: mother-daughter. Here stores are the daughter but we are leaving her without a mother. We must pay attention to the development of a warehousing complex. A store will not survive by itself.

In this connection, they sent us a document in which they calculated in great detail that three people and a million in turnover in a store resolve all the problems. We can create a very dangerous economic problem if we do not calculate everything and link the stores with a powerful production base.

[Voronin] These questions are controversial, with the exception of the problem of warehousing services, which certainly need to be developed. As for the rest, I think that it is impossible to give an answer in a few minutes. If there is a desire to discuss them, let us deal with this in our institute. This is not a 2-minute conversation but briefly this is what my response would be.

Appearing in PRAVDA and different journals, I set forth our point of view on the political economic concept of wholesale trade. I will not take it upon myself to say that it is unconditionally correct, for many questions remain. Unfortunately, there was no discussion and now the question is cropping up once again and a dispute is arising about the concept of wholesale trade. I think that this is far from being the main thing. Some say that what is being organized—direct ties and the access of the consumer to the producer—is not wholesale trade. But what is wholesale trade, if not commodity-money relationships? Is there trade in what I produce and sell? There is. Inasmuch as I make and sell a product, it is a commodity sold for money. Thus, are there commodity-money relationships? There are.

Is our organization participating here? It is in most cases. It is providing information and is helping to establish ties. In the final analysis, it sometimes supports ties and insures them. But we basically agree that wholesale trade is a process of buying and selling without ceilings, allocations and limitations. The only criterion is the solvency of the buyer.

The management of wholesale trade. We encountered a major question here. Today for the first time, I heard from scientists that they have some kind of program or concept of the socialist market. This is very healthy. It is now possible to seek a platform and begin to work. But the main thing is questions in the management of the market.

We are still not acting through purely economic methods. Through our divisions, we report to producers what they should give to whom, we give them recommendations and they take us into account. But these are still not economic methods. When might they appear? When there is a market and competition and an end to monopoly. When, at last, there is not the surplus of money that now exists. We are now in this position: whatever we provide is bought up. Needed or not, it is still bought up.

And secondly, prices do not reflect the consumption value of goods and it is natural that many labor collectives are flushing out cheap output. For this reason, we have made a certain beginning in management questions and methods but overall a system has not yet been organized.

It is simpler for the capitalists. Demand appeared, they raised the price and there you have demand and sales. We cannot accept this: the unregulated state of prices for production-technical output will lead to an increase in prices for consumer goods and will affect the well-being of the working people. If someone has suggestions, we will be pleased to study them.

A second question is the link between wholesale stores and the development of a warehousing complex. I am not in complete agreement with respect to the separation of stores from our depots, although I do not deny that it

is necessary to take a look and think. We deal with the stores and we have worked out structures and a management diagram. A mechanism has been prepared for the economic incentive of store workers and we took up the matter that it is not mandatory for a store to have a warehouse. It can accept orders and our delivery enterprises must fulfill them.

It is no secret that there are not enough warehouses. It is also no secret that we cannot find 15 billion and will not find it on the road. There is no hope for that.

It is necessary to build. We will build to the extent of our material and financial possibilities.

[Question] In the first place, I would like to discuss the concept of wholesale trade. This is still trade through an intermediary that is defined as such by practically all textbooks including the "Great Soviet Encyclopedia." Its basic task is to free enterprises from trade functions. This in itself gives the term wholesale trade a connotation of trade only through intermediaries. What we are discussing and about which we are speaking in all documents probably should still be related more to market trade.

In addition, I would like to ask the question: How can one reconcile the theme that it is necessary to develop multichannel wholesale trade with your statement that it is necessary to eliminate departmental supply? How can one thereby avoid a monopoly of USSR Gosnab?

[Voronin] The concept of wholesale trade that I presented, by the way, was taken precisely from the "Great Soviet Encyclopedia."

Now about the question of the elimination of departmental supply systems. I hold to my opinion. But this does not mean that we should destroy everything. My deputy V.N. Konovalov probably worked for 2 months looking over the depots and departmental offices located in Moscow. This is a horrible mess. It is incomprehensible who is doing what and how they exist. We will eliminate them.

Now about how wholesale trade is seen and the role of departments in it. I will state my personal opinion. How do I see the role of ministries in the near future? From my point of view, the ministry must be responsible for three groups of questions. In the first place, for the improvement of the economic mechanism in the branch. Secondly, for scientific-technical progress. Thirdly, for information science. The functions of all operational

work must be removed from the ministry. In China, the branch ministries no longer deal with supply matters and special companies have been established under the Ministry of Material and Technical Supply. I do not know whether this can be done here. It is necessary to think and analyze. We are working on this. There is the experience of the Estonian comrades, for example. Read the article of E. Ya. Toots in Volume 9 for 1988 of the journal MATERIALNO-TEKHNICHESKOYE SNABZHENIYE. He says right out that when they went over to wholesale trade with builders, the entire supply staff of two central boards—I am just afraid to say which—was eliminated. Today they have no supply personnel.

Is there a subject for discussion? There is. I repeat that I am giving my personal point of view. We are working on its extension. I cannot say how the experiments will end, because we are in the stage of the work in which the final result is not apparent. There is no need to hurry. Everything must be considered very calmly and some things can be approved without losing our heads right away and regretting it later.

[Question] Lev Alekseyevich, could you not go into more detail about the experience of Estonia?

[Voronin] In the first place, the deputy chairman of the Estonian Gosstab Rappoport spoke here. Secondly, I have already said that in Volume 9 of the journal MATERIALNO-TEKHNICHESKOYE SNABZHENIYE there is a very interesting, in my opinion, article by E. Toots, chairman of the Estonian Gosstab. The comrades did some practical work with builders. Some very good work. They are not looking for a guilty party there.

How do we usually act? Everyone tries to justify himself and find the guilty person. They laid the foundation and are already crying that there is no linoleum. In Estonia, they have already overcome this barrier psychologically. They are also working very closely and sensibly on questions involving the observance of delivery deadlines and on substitutions.

I think that if they wish the comrades can talk with Yu. Rappoport; he will not refuse anyone.

[Question] There are a great many builders here. Unfortunately, however, neither in the reports at the plenary session nor in the sections did we find a reflection of the problems in the supply of construction through wholesale trade. It was decided to transfer construction organizations to wholesale trade in 1990. The decision was clearly premature.

The following is now taking place: individual regions are being selected and there these problems at the enterprises of different ministries are being decided locally. I

was pleased that in your report you also spoke about multichannel wholesale trade, because previously the principle of commodity transfer prevailed for the most part.

I would like to hear how Gosstab envisions the tactic of transferring the construction complex to wholesale trade, especially since 1990 is not far away.

And secondly, our department along with the Ministry of Construction in the Northern and Western Regions of the USSR sent to you, to USSR Gosplan and to USSR Gosstroy a proposal on the transfer of the Ministry of Construction in the Northern and Western Regions of the USSR to wholesale trade. In it wholesale trade is directly linked with the problems of saving resources. How did USSR Gosstab react to these proposals?

[Voronin] Our construction complex was the weakest link in the transition to wholesale trade. I relate this shortcoming to myself as well. When we prepared the organizational structure of Gosstab, we underestimated the importance of the matter. My former deputy reached for everything, thinking that we in the center can manage every line. We tried to correct him but it did not help.

At this time in the country as a whole, things are not working out very well either. But it is no longer a matter of the deputy but of me and a number of comrades who are dealing with the problem.

In transferring individual republic ministries to wholesale trade, we understood that this is not a very sound path. But we took it knowingly to gain experience, to take our lumps now and avoid them in the future. The experience turned out to be successful in Estonia and less successful in Belorussia. In some republics and economic regions, things went well, in others not so well.

Our most unsuccessful decision was in capital construction. What happened, in my view? The existing economic mechanism is not yet directing builders toward the introduction of start-up capacities. It tends more to encourage them to take more resources.

Today capital investments are obtained but not earned. I know that a new position is now being prepared. All capital investments will be subject to payment. If you have a need, take a loan, pay interest and build what you want. This is how we will link wholesale trade with the saving of resources. Our capital construction is still horribly materials-intensive, twice what it is in America.

Now to be specific. We received your proposals. S. V. Anisimov is handling them. We will soon hear the idea of our construction complex on the problems in the development of wholesale trade. There are many complexities. How is it possible, for example, to transfer bathtubs to wholesale trade? There is a shortage of them on the order of 750,000. We import bathtubs from Algeria and Turkey. We make 120 million square meters of linoleum



in the country and are forced to purchase 60 million. I myself have to call the prime minister of India or the chairman of the Bulgarian Council of Ministers or send telegrams: give us linoleum, because everyone is complaining that apartments are not being turned over. What kind of wholesale trade is this? For this reason, I would not so easily talk about the transfer of individual commodity groups to wholesale trade. I would not want to give up this version so simply. We are not going to transfer any Ministry of Construction in the Northern and Western Regions of the USSR to wholesale trade. The builders understand it to mean that they should be given everything but they do not want to save anything; no cost accounting is working for them. And after this, they trumpet that wholesale trade is not working and that there are no materials. We do not agree with such a position.

[Question] Today capital construction is supplied through three channels. The customer supplies the basic equipment, the general contractor supplies some forms of equipment and materials, and the subcontractor also makes deliveries. The system is extremely unreliable and is one of the reasons why construction deadlines are not met. Is it proposed that there be a transition to the delivery of complete sets of machine systems as foreseen by the decision of five committees, including Gosstab, Gosplan and the State Committee on Prices, in 1986, and what system is proposed for the improvement of the provision of construction with equipment and materials?

[Voronin] Last year USSR Gosstab and our workers participated in providing for the construction of the Rzhev Crane Building Plant under the method that you mentioned. The construction project in Rzhev succeeded but something else did not. While they built, the comrades slept and failed to order a full set of equipment. The capacity is somewhat over a thousand cranes but the ministry accepted orders for less than half that number. Gosstroy is now preparing materials while combining project planning and construction and is thinking about how to disseminate the experience. We are also participating in this.

The people at Gosstab are interested in taking on the maximum volume of work but not so much that they are caught between the consumer and supplier with no rights and only obligations. The supplier asserts one thing and the consumer something else. Both are unsatisfied. I cannot say whether there will be a special document on the dissemination of experience. But it is correct that Comrade Batalin wants to discuss the matter with us. Scientists, builders and workers of construction ministries are being invited.

[Question] Many questions in the equipping of capital construction facilities in 1989 have not been resolved, especially for products that have been transferred to direct ties. What measures are being taken to overcome the crisis situation?

[Voronin] That is a difficult but proper question. Many discrepancies arose because of the fact that the main directorates for the equipping of especially important construction projects [soyuzglavkomplekty] went over to the ministries. The ministries incorporated the soyuzglavkomplekty in their central system, where they turned out to be completely useless. The directorate [komplekt] is supposed to have the right to enter into contracts, to pay money, and to have working capital. Otherwise there is simply no reason for it to exist.

We expressed our point of view and presented it to all the ministries. About two-thirds of them agreed with our arguments and established the needed directorates. New directorates were also established but they do not have economic ties. They appealed to the suppliers, who say: listen, where did you come from, we do not know you. We issued an instruction to the territorial bodies and are trying to resolve these questions ourselves.

But there is tension. For the first time in many years, having fulfilled the construction volume, we will probably not introduce 25 percent of the start-up capacities, which will have a very detrimental effect on the national economy. Still, I cannot give an absolutely complete and specific answer. I do not yet have final approaches to the resolution of the question. So for the time being, let the author not be offended.

[Question] Has anyone calculated the economic effectiveness and expediency of the establishment of some particular number of wholesale trade stores in the economic districts?

[Voronin] The economic effectiveness has not been calculated. But their disposition has been thought through very carefully. I understand the author's memorandum. Many come to me with the grievance: you set for us targets for the establishment of stores that are too high. I do not claim that the plan for their distribution is absolutely inviolable; it is possible to change their disposition. In the future, however, the targets will be even larger. And how can it be otherwise, where will we trade?

When I talked with many workers of the territorial offices, I did so not to put pressure on them and not as a chief. As a specialist, I only wanted to understand the nature of the problem. I hope the comrades are not offended but I concluded that they do not quite grasp the uniqueness of the moment. Wholesale trade cannot be developed without stores. That means that they must be built and that is not so simple. It is necessary to find resources, to work, to give them the maximum freedom, not to put pressure on them through the central system but to help them convert to full cost accounting and the lease contract. Many are not pleased with this change. But we cannot agree with passivity. It is another matter if there are reasonable suggestions somewhere. Please let

us have them, for any rational seed will find the most fertile soil. We have no desire to build a large number of stores haphazardly. There is a desire to organize wholesale trade through them.

[Question] What specific measures are being implemented to train personnel in the area of marketing?

[Voronin] Contracts have been signed with Finland in accordance with the line of the USSR National Economic Academy, Foreign Trade Academy and USSR Gosnab. I cannot give exact times now but sometime around the first of the year the first group of our specialists will leave for training. Specialists of the national system will be sent there several times a year. Why was precisely Finland chosen? We visited there, looked around and saw that they do serious work there.

[Question] Do you admit the possibility of bringing in experts from the socialist countries and international organizations to assess the quality of industrial output and the standard prices for industrial output in comparison with actual expenditures?

[Voronin] You know that state acceptance exists to assess the quality of output. This is a nondepartmental organization. The technical level is determined by the Committee for Science and Technology with the participation of scientists from branch and academic institutes. Whether or not it is necessary to bring in scientists from socialist countries and international organizations is a rather complex question. Naturally it is essential to study the advanced trends in the economy. Mr Leontyev visited us here in Gosnab. We consulted with him and had a lengthy conversation. But let us not forget about the specific nature of our economy. To advise us to do something, it is necessary to have specific knowledge of our situation and laws. There is one solution: if it is necessary, you must bring them in. If there is no such need, let us realize that you and I must resolve our own problems, for no one will resolve them for us.

[Question] Is there a need to adopt the experience of countries that distort the market economy?

[Voronin] It is always useful to adopt experience. What is being done for this? We established brigades that very attentively studied the practice of wholesale trade in Hungary, the GDR, China, Finland and France. We are now working together with scientists to establish our own model.

It is necessary to study experience and we will deal with this in the future. But it does not follow from this that we should copy it blindly. The task now is to take what is useful and rework it for our specific situation. In France, for example, we familiarized ourselves with a very remarkable automated system for the management of the turnover not only in the country as a whole but also in its connection with many countries of the world. Such experience will be of use to us. Today we are working and

thinking about how to involve the French in interaction. At this time, we are paying most of our attention to how to find resources and, to be frank, how to pay objectively and less. We have no superfluous money and especially no extra foreign exchange.

[Question] How will the problem of the production of spare parts be resolved in the national economy?

[Voronin] We have approached this problem many times but we just cannot get a grasp of it. Spare parts are not very labor-intensive and their cost is low and therefore producers are reluctant to manufacture them. Still, it is necessary to settle the question. Colossal losses result from the shortage of spare parts.

The machine building complex of USSR Gosplan with the participation of the bureau of the Council of Ministers for machine building has now prepared a draft decree on the resolution of the problem. Our comrades also took part in its elaboration. It is clear that it will be passed early in 1989.

What would I like to add? We ourselves are at fault in the situation at hand. A number of industrial enterprises are not fulfilling contractual obligations and we have not found any way to deal with them. The interests of the national economy are not yet adequate to the interests of the labor collectives. There are many examples, unfortunately, in which for the sake to profit the collective ignores national economic interests. But everything is interrelated in the economy. Today you are a supplier and tomorrow you are a consumer. More accurately, every enterprise is simultaneously a supplier and a consumer. And therefore the striving for an immediate interest inevitably leads to losses in the final analysis. There is a problem and it is a complex one that cannot be resolved immediately. But it must be resolved and I think that a definite step will be taken in the antimonopoly law.

[Question] At the conference, the problem of the introduction of computer technology into the practice of managing wholesale trading was mentioned only in passing in one speech. As a specialist, this puts me on the alert. We have three computer centers in our main directorate. The equipment is of different types. All tasks are resolved locally, in batch processing, and we essentially do not read information from each other. This results in great difficulties. Such problems exist in many territorial bodies.

A good deal of work is now being done on the establishment of a single computer center for Gosnab. It is essential, because only on such a basis is it possible to resolve the problem of the development of wholesale trade. But what is surprising about this? I will be happy if I am in error but I fear that there is no mistake. One gets the impression that today Gosnab is nevertheless underestimating the problem of the broad introduction of computer technology.

A good decision was made 2 years ago on the establishment of the service of chief designer. Today, in fact, there is no such service. We are unable to resolve many methodological questions. But if we do not establish a unified system for the management of wholesale trade and if we do not resolve a mass of more particular aspects of the problem, then the flow of information will overwhelm us and the very process will turn out to be unmanageable. What is being done in Gosstab so that this will not happen?

[Voronin] That is a proper question. What should be said here? It is above all apparent that we cannot establish a sensible plan for work in this area.

To get things off dead center somehow, we are now studying foreign experience. A large working group recently returned from France, where it studied the automated control system in commercial firms. They brought back interesting opinions and ideas. A French minister gave me an automated workplace, which is now being studied very closely in the main computer center of Gosstab.

Another group headed by Boyev has returned from Finland. At the invitation of the prime minister, I also visited there. I met with a number of specialists from the Finnish "Wholesale Trade Union." By the way, we signed an agreement with them on cooperation. I must say that there are things to learn from them, especially the forecasting of the need for resources for wholesale trade. I myself am an adherent of accounting balances. They have not worked them out but the automated control system is organized simply wonderfully. They have it not only for commercial services but for consumers as well. They always know what is stored where in which depot. If something is lacking, then through the data bank they can automatically find out where they can order the needed resources.

We are now working on the establishment of an analogous system. We are bringing in a number of academic institutes and have received work plans from them. There is much in them that is not pleasing and much is difficult to understand fully, because it is difficult to grasp purely professional aspects. But the work is under way.

At the same time, I must self-critically say that we have left much undone. We need to bring people together and think about what needs to be done. But we need to gather not just for show but for real results.

If there are any specific suggestions, let us have them, without waiting for a conference. If they include a rational idea, we will all benefit immediately.

[Question] Our association includes a number of medium-sized and small industrial enterprises. For many years, we received completing items from the institutions of the USSR Ministry of Internal Affairs.

Beginning in 1989, they are categorically refusing to make deliveries. Our plants are on the verge of shutting down. This is the first thing.

Secondly, our limit on tools was significantly reduced. We appealed to USSR Gosstab for help. And the deputy chiefs of one of the sections sent us a letter that cannot be called anything other than an evasive answer.

I would say that it was an amazing answer. They are proposing to our medium-sized and small plants that they organize the production of standard tools without special instrumental equipment and any conditions at all. How to proceed?

[Voronin] I think that we must be pleased that colonies of the Ministry of Internal Affairs are being closed. This is very good. There they did not educate but at times tended to make chronic criminals out of people who stumble. Initially, of course, the decision to educate in labor collectives will have several negative features but overall it is correct.

You are waiting in vain for someone to do something for you instead of prisoners. That will not happen. Get yourselves moving. Show some initiative.

Comrade Sizov, first deputy minister of internal affairs, visited me. We examined each ministry, what enterprises to open for them and what colonies to close. We stipulated with all of them what they can take over. We, for example, took several plants from the Ministry of Internal Affairs and organized production there. If you overlooked something, you had only yourself to blame. I can give only one bit of advice: do not remain behind the times; they are changing and demand enterprise.

As for the second question. They gave you an incorrect answer with respect to tools. It is economically inexpedient to organize the production of tools at plants of different ministries. The Ministry of the Machine Tool and Tool Building Industry exists for this purpose. It has sufficient capacities. I ask you to turn to my deputy. Let someone drive up and we will take measures.

[Question] In the development of new forms of material and technical supply, wholesale trade and commerce, the question arises of the formation of cost accounting relations of territorial bodies. Our enterprises in Tyumen are very dispersed. We are planning the transition to syndicate work—mutual responsibility. Is it not advisable to give thought to the question of cost accounting responsibility between USSR Gosstab and the territorial bodies rather than dictates from above?

And a second question. It seems to me that there is no interest at the level of USSR Gosstab in the exchange of experience in this area. It tends more toward instructions with a claim on the absolute truth. This is a fundamental error that needs to be corrected.

[Voronin] As for the second question, I am in full and complete agreement with you. I think that our specialist should listen to their comrade, especially since he is a competent person. He recently got his master's degree.

As for the first question, here I may begin from afar. Frankly, I and other representatives of USSR Gosstab are very concerned about the fact that we cannot find solutions on how to link the wages of the central staff with any specific work and results and that we cannot transfer them to cost accounting. We are seeing the effects of habit, which developed over decades. There was a time when all of us, including myself, were in agreement that the central staff is the state staff. Consequently, for it to make objective decisions and demands, its wages were not supposed to be linked with any other elements or with anything.

We are now seeking an approach for a diametrically opposite principle. Literally a few days ago, they reported to me that found a way to link bonuses with the results of the work of USSR Gosstab. And for bonuses are are respectable—two salaries a year. And this is the correct path. The system is based on an evaluation of labor by points. For the time being, we cannot think of anything else.

Our approach to syndicates, trusts and concerns. When we had a party conference, I came forward with the suggestion that we learn to trade. And, in my opinion, I got support. We have all become accustomed to distributing. We are attracted to distributing like flies to honey. And it is necessary to trade. It is probably incorrect to limit the forms of supply, as before, to those that exist. If our objectives are best met by such forms as syndicates, trusts and concerns, let us organize syndicates, trusts and concerns. Let us see the essence under the names and labels.

It is now fashionable to criticize. For example, that there is not enough lumber and that its provision is being managed very poorly. But no country has the forest resources that we have. This means that it is necessary not only to criticize but also to take action. We are now establishing a gamut of joint enterprises with the Finns and a number of cooperatives. We are now thinking about establishing an industrial trade organization for the production and trade in consumer articles. American businessmen proposed establishing large joint enterprises with USSR Gosstab for the organization of trade in consumer goods in Siberia and the Far East and then investing capital from them in the development of the branch. We are looking for new ways. Whether they are syndicates, trusts or concerns, it is necessary to look at the matter practically but without preconceived ideas.

Since you are from Tyumen, I will tell you that there they need a completely different approach from what now exists. We are destroying a great many resources in the Tyumen area. Our oil and gas workers are so spoiled that they are demanding a huge amount of physical resources

but have an unscrupulous attitude toward them. Our main territorial directorate in Tyumen has not yet come up with a solution to these problems, even though they have a rather good energy management. Therefore, when you speak of a syndicate and come out with specific proposals, it turns out on examining them that you are again trying to introduce the old essence in a new form: grab more resources to work less. We cannot agree with this. But we will look for forms.

[Question] We are systematically establishing cooperatives. Today there are more than 30 of them under our main directorate. But I have nothing but trouble from them.

[Voronin] It is good that you have nothing from the cooperatives.

[Question] I do not mean literally for myself—I have nothing for the collective. If the cooperatives have a certain profit, some part of it ought to be allocated, let us say, to the social and economic needs of our collective. Otherwise we have a one-way street: help goes from us to the cooperatives but nothing comes from them to us.

[Voronin] We have a law on cooperatives, a document toward which we must orient ourselves. I do not understand what the territorial directorate must have from the cooperatives. You organize cooperatives in those directions that ensure the stability of supply and the elimination of the shortage as well as questions of economy or repairs. Otherwise there is no sense in establishing them. Therefore, when you say that you want to have something from them, I sincerely do not understand precisely what it is.

The cooperatives dispose of their own profit. If you come to an agreement with them on a shared basis, they can invest part of the money somewhere. In such an event, good luck, enter into businesslike relations with the cooperatives and no one will do anything to you. But let us look at things realistically. Cooperatives earn much and do much. Especially our supply cooperatives. The benefit from them is enormous. Nevertheless, the state sector is still settling our affairs.

How many cooperatives do you have and how much output do they produce? Well, 5 percent, maybe 10 percent, but the state sector supplies 90 percent. We do not need to push aside the cooperative movement, which is very easy to do, especially at its beginning, but we need to find the correct approach to the new system.

[Question] Who is responsible for what is being done in the stores? The conference will accept recommendations on the problems of wholesale trade, an integral part of the restructuring of the economy. But who will introduce them and take personal responsibility just as for the entire restructuring of the economy? Perhaps a special resolution should be passed at the conference?

[Voronin] We have a practical scientific conference dedicated to a definite theme that we worked on. It is probably wrong to pass any other resolutions impromptu.

At the same time, the author of the memorandum raised some burning questions. You know that the theoretical directions of perestroika were determined clearly at the 19th All-Union Party Conference. They include the food program, the production of consumer goods, the problems of social and cultural services, housing and health. Specific programs were prepared for them. A commission is working under the chairmanship of I.I. Ryzhkov. It includes managers of branches and enterprises and scientists. It is paying a lot of attention to the improvement of the national economic mechanism. I can say with full responsibility to the author and all the comrades present that much tedious and thoughtful work is being done.

The results are not always felt immediately, of course. But, comrades, we all want to be ahead of time. I understand that there is impatience and that we would like to feel the results of perestroika with our hands today. But life is life and there are certain possibilities that cannot be mastered immediately. Let us resolve the questions that face us calmly, confidently, thoughtfully, with knowledge of the matter and with sufficient respect. As a member of the Central Committee of the party and as deputy chairman of the USSR Council of Ministers, I can say firmly that the government and Central Committee are persistently achieving the progressive movement of perestroika. You know the personal contribution and significant work of M.S. Gorbachev in the resolution of these very complex matters. And they accumulated over many years. So we will be realists. What can be done today, let us do, and what cannot produce immediate results, let it yield fruit in its own time. It is not worthwhile to pick it green.

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## INVESTMENT, PRICES, BUDGET, FINANCE

### NEP Lesson Warns Against Fixed Price Policy

18200346 Moscow SOTSIALITICHESKAYA  
INDUSTRIYA in Russian 4 May 89 p 3

[Article by B. Pinsker, economist: "Price Policy and the Catastrophe of the 1930's"]

[Text] There is, perhaps, no other problem at present which concerns each and everyone to a greater extent than the future price reform. The representatives of the State Committee on Prices try to demonstrate to us that it is possible to compensate for their increase. Other departments are ready to control all kinds of prices—from state to cooperative prices. But before deciding on the, perhaps, most responsible step of perestroika, it is not superfluous to learn from our own historical mistakes, to remember our bitter experience.

It is considered that Stalin put an end to the NEP—out of ambition and craving for power. In so doing, neither journalists nor historians who reason in this manner take into account his political and economic ideas. The physical destruction inflicted on the kulaks and private traders proved to be only the formal completion of the economic failure of this epoch.

The basis for it, in my view, was laid already in 1923, when the 12th RKP(b) formulated the approach of the party to price policy. The same which dominated the entire NEP period and happily holds sway even up to now. Its essence lies in the manipulation of prices in the name of the greatest advantages for these or those branches of industry.

Meanwhile the country already headed into the first economic crisis during this time, known in history as the "price scissors." This is what they called the gap between the high prices for industrial goods and the low prices for agricultural prices. Industry turned out to be in the depth of a market crisis. Because of the high prices for urban goods, the village (80 percent of the population) could not buy anything. To sell, too: Prices for agricultural raw materials turned out to be disadvantageous. As the result, the development of industry was blocked. In Moscow, for example, in March 1923, the enterprises of the cotton industry were running at 35-50 percent of capacity, the silk industry—at below 10 percent, and the metal industry—at 20-55 percent. The shortage of working capital in enterprises reached up to 50 percent. A number of the plants had to close quickly.

A way out was found in the lowering of prices for industrial goods. This measure quickly produced a positive result. The dimension of the "scissors" narrowed. But the chief reason for the crisis—the policy of constraint of prices and markets—remained.

The 13th VKP(b) Congress still more sharply singled out the basic thesis of "socialist" policy: Price regulation is one of the chief methods of the NEP, a method of struggle against private initiative and for accelerated industrialization. The creator of this policy was N. Bukharin, who advanced it to counterbalance the leftist deviations of Trotsky, Kamenev and Zinoviev. The ideas of Bukharin were supported and realized by Stalin, Rykov, and Tomsy. It was considered then and now that the basic special feature of Bukharin's policy was its reliance on economic methods of management. And the leftist opposition, they say, propagated the ideas of administrative violence. In actual fact, Bukharin, too, talked about the same management by orders and decrees, but dressed up in the cover of economic terms—prices, market, demand. . . . The materials of the congress state that "the direct measure of the degree of the implementation of the guiding role of the Soviet state in the market is that level of influence which the state carries out in the regulation of market prices."

In 1924 the trend toward price reduction was maintained. It became the instrument of the state in the



struggle to increase labor productivity, to reduce overhead expenses, to improve the utilization of equipment, etc. Such a policy had to imitate the competitive pressure that is absent in a monopolized system.

An idea, which is not without wit, but one which can work only in conditions of strict budget limitations, where the state, in lowering prices, is completely serious in its intention to drive enterprises into ruin that were unable to adapt to the new level of prices. Since there was no such seriousness, the result of this policy was the distortion of all economic proportions and the exacerbation of commodity hunger.

The first steps of industrialization already in the fall of 1924 renewed the inflationary pressure and laid the foundation for the new growth of prices. The gap between industrial and agricultural prices increased. There was also an increase between the wholesale and retail prices.

The managers of the economy reacted to this serious problem stereotypically. The April VKP(b) 1925 proclaimed the necessity of the further lowering of retail plans—for the sake of reducing the “scissors.” That is the special features and distinctions of the economic situation of the years 1925-1926 were simply not understood. The gap of agricultural and industrial prices of 1923 was called forth by the high prices of urban goods. In 1925 the crisis arose from the surplus of money in the circulation channels. Effective demand in the cities exceeded 80-90 percent of the goods. With the system of trade of that time, the goods that reached the village turned out to be 2-3 times more expensive than in the city.

In our social and political journalism, there now roams the myth of the NEP as reign of market economics. But let us think this over, is this how it was? Any government, in the interest of its own population, must somehow control the market, must run it. The whole question is, in what ways to do this. In the same situation of 1925, it would have been possible to influence the market, having reduced, for example, expenditures for industrial construction and thereby to lower the dimensions of urban demand. This measure could have been supplemented with the reorientation of part of the capital investments into light industry. There would have been an increase in the volume of goods in day-to-day demand and balance in the markets would have been restored more quickly and durably. But the government selected a fundamentally different path—it tried to command the market through prices.

Then, in 1925, it continued to persistently lower prices for industrial goods. The sharpness of the commodity hunger, naturally, only increased. You see, the investments in industrial construction grew and the amount of money in the hands of the population increased. As a result of the supplanting of private traders, an increasingly large share of commodities was sold at the reduced

state prices, and the real shortage of these goods for the village became still greater. There was also a proportional increase in the prices which the village overpaid for them. The authorities tried to use all sorts of administrative measures against speculators, but their number, clearly, did not decline as a result of this. To all proposals to raise prices, if only for the goods in extremely short supply, in order to sharply increase their production, and then already on a sound basis to reduce prices (such, for example, was the suggestion of Pyatakov), the party leaders reacted in the most negative manner. Dzerzhinsky called the appeal for an increase of prices “senseless, anti-Soviet, and anti-proletarian.”

Our economy nevertheless outgrew the crisis of 1925. The almost single attempt to competently (that is through economic means) influence the market had a positive effect. At the end of 1925, Gosbank and the People's Commissariat of Finance suspended the expansion of credits for industrial credits projects. In spite of the furious opposition of the trusts, the Supreme Council of the National Economy and Gosplan, throughout 1926 the Ministry of Finance [as published] succeeded in sustaining the policy of financial wisdom, letting the trusts search for ways of lowering production cost. As a result, the growth of the amount of money in circulation during this year came to “only” 20.3 percent of that of the preceding year (in 1924-1925 it increased by 85.7 percent). The beneficial policy remained in effect for approximately 1.5 years. Even this comparatively short time period proved sufficient for the growth of commodity production to overtake the growth of money in circulation, and the acuteness of the shortage, as if by magic, resolved itself. Moreover, here and there even signs of overstocking appeared!

In this situation, the party decided that it was necessary to finally attain the implementation of previous decisions concerning the price reduction. The February (1927) VKP(b) Plenum adopted the corresponding resolution. In it it was pointed out that this measure is necessary for the further limitation of elements of private capitalism, the increase of wages, and the strengthening of the exchange-value of the ruble. The practice of price regulation was extended to handicraft and cottage industry, as well as to the cooperatives.

But the greatest “achievement” of the principle of planning was turned around by the failure of grain procurements in the fall and winter of 1927. The peasants—and this was reasonable in the highest degree on their part—held back their grain, expecting a price correction. The accelerated sale of grain, given the correlation of prices for grain and industrial products at that time, would have been pure folly and ruin from their point of view. What is more, from the standpoint of the state it would have been the same. To let go of the grain for a song means to undermine the possibilities not only of expanded, but also of simple reproduction in the village.

The romantic enthusiasm with which the leaders of that time set about reshaping the economy is truly amazing. V. Kuybyshev, for example, proposed that the reduction of prices "will be valued by future historians... as one of the most brilliant victories. Price reduction in conditions of commodity shortage is the direct contradiction of the normal laws of the development of capitalist society." The market and market relations were repudiated from the threshold. "Market conditions are a current, but the communist and the Bolshevik have always been able, and are now able, to swim against the stream," wrote V. Kuybyshev, appealing tirelessly to fight against "the iron law of market conditions."

The victories over the laws of economics and common sense were accompanied by the undoing of the fly-wheel of inflation. During 1928-1929, the amount of money in circulation increased by 34 percent. For 1925-1929 as a whole, the budget expenditures increased by 105 percent, but the national income—only by 40 percent. If we take into consideration the fact that in 1913 the growth of national income came to only 25 percent, it is easy to appraise the degree of inflationism of the policy of that day: To the extent of approximately 80 percent, the "growth" of the national income reflected the increase of inflation, and not production.

The policy of the forceful regulation of prices must be recognized as fundamentally false. Unbalanced prices—and no one, besides the market can balance them—lead to the shortage of goods. The shortage always and everywhere strengthens the black market, reduces real wages, and undermines the exchange-value. But the purely economic consequences of this incorrectly conceived policy pale before its social and political results.

Already in the fall of 1927, the supply of the city was broken. Everywhere a rationing system was introduced. Even in Leningrad, at that time still the second capital of the country, beginning in 1927, food was distributed on the basis of rationing. Before long in Moscow, tea, soap and butter were no longer for sale. White bread disappeared.

The whole responsibility for the serious disarray of the economy, which was called forth by the incompetent policy of the government of Stalin—Rykov—Bukharin, was shifted to the private sector. And the government did not doubt its correctness: Agriculture, which did not provide the country with grain, was almost exclusively individual; the greater part of industry belonged to the state. The retail trade network, to the extent of more than 90 percent, was in the hands of the private sector, the wholesale trade network—almost fully in the hands of state and cooperative organizations. For this reason, the appeals for struggle against the Nepmen and well-to-do peasant families (at first not death, but only for victory!) were a completely logical action on the part of the government which had brought the economy of the state to collapse, but desired to preserve itself as the power. Beat the floor on which the child bruised itself!

Already at the beginning of the crisis which put an end to the NEP, the problems of economic imbalance took on the form of a social and political conflict. The consequences of the conflict are well known. The June VKP(b) Plenum of 1929 advanced the thesis of the intensification of the class struggle, the surplus appropriation and dekulakization increased. And, finally, conforming to established laws, the tragic events of the 1930's followed—that which we now call the Stalin terror, the Stalinschchina.

Experience has shown that money circulation and the price system are the central nerve of all of economic life. In a purely market economy, inflation does not lead to a crisis. Inflation whips up the increase of prices, calls forth some redistribution of incomes—and that is all. History teaches that the policy of price setting has not proved itself. In our conditions, a jump in inflation leads to the destruction of trade and economic relations and to the breakdown of supply and market.

Today, standing at the threshold of an immediate price reform, we must learn this lesson. The policy of forcible price regulation logically led to the constraint of other spheres of social life as well. If we do not repudiate it once and for all, what will it turn into for us tomorrow?

#### Excess Currency Contributes to 'Stagflation'

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[Article by A. Khandruyev, doctor of economic sciences:  
"How To Fight Inflation"]

[Text] An excessive amount of currency in circulation acts like a narcotic on the economy. At first it causes euphoria, helping to cover excessive outlays by means of additional issuance, as well as stimulating the growth rate and structural shifts. Sooner or later, however, there comes a time when excessive financing leads to a poisoning of the national-economic organism, and its self-destruction begins. But it is not so simple to free oneself from a ruinous habit: the economic system, like a drug addict, needs new injections of additional liquid assets. When a country recovers its senses and gains insight, it is faced with an important choice: either to go on sliding downhill, or make an effort of the will, break loose from the captivity of self-deceit, and enter upon the difficult path of recovering its health.

In and by itself, the fact of working out and implementing a program for recovering financial and economic health and strengthening the monetary circulation in the country attests to an awareness and a recognition of the danger from the economic and sociopolitical consequences of inflation. This provides grounds for a restrained optimism. Nevertheless, it would be premature to suppose that effective methods have already been found for fighting inflation. In order to look at things soberly, we must renounce a whole series of illusions

which have not yet been completely abandoned and recognize the entire difficulty of stabilizing and strengthening the purchasing power of the ruble.

One such illusion is the willful or involuntary distortion of the historical truth about inflation under socialism. Until quite recently Soviet economic literature, as is known, was dominated by the view that a planned direction of the economy, supposedly, serves as a reliable protection against the manifestation of inflationary processes. But now we are going to other extremes, whereby some persons place the burden of responsibility for inflation exclusively on perestroika, while others consider the entire path which we have traveled—with the exception of the years 1922-1925—as inflationary.

In fact, most of the socialist countries, especially those which have embarked upon the path of radical changes in managing their public production, have now encountered the problem of inflation. Economic reforms have activated various manifestations of the inflationary processes. However, the fundamental causes and moving factors of inflation under socialism have their roots in the command-administrative system, when unbalanced economic growth and a thoughtless squandering of resources were covered by an excessive issuance of currency. But at that time, by virtue of a rigid price formation, inflation flowed on "under cover," expressing itself in the accumulation of excess demand, imbalances, and shortages. But perestroika revealed a dangerous abscess. An interweaving of hidden and open forms of monetary devaluation had occurred. Let us note, by the way, that it would also be an over-simplification to assume that in the past use was made exclusively of inflationary measures for financing economic development. Thus, for example, in contrast to the Civil War, the Great Patriotic War of 1941-1945 did not end in a financial collapse; instead, the period of the 1950's and early 1960's, on the whole, could be termed "deflationary." At what price this was achieved is another matter.

Another illusion has arisen as a result of the fact that the shortage of professional opinions about the fight against inflation is now being filled, and then some, by publicism. The gist of this illusion is that the fight against inflation can, supposedly, be waged on the basis of a schematic representation of its nature. However, with the aid of general ideas about inflation as an excess of money, engendered by disproportions in public reproduction, we cannot develop an integrated program for fighting against devaluation of the ruble.

In each country the inflationary process has its own specifics, which presupposes the use of a complex of various combinations of short-term and long-term measures for recovering financial health. In our country inflation has become interwoven with commodity shortages and budgetary deficits, with enormous, over-normative reserve supplies of commodity-material valuables,

with a growth in the foreign debt, with hidden unemployment, an exacerbation of national attitudes, and a stagnation in production. The inflationary process is proceeding, for the most part, in hidden forms. The situation in which we find ourselves is best characterized by the term "stagnation," i.e., a combination of stagnation and inflation.

By virtue of this, the methods which other countries have experimented with in order to fight inflation could be accompanied by the most unanticipated consequences in our country. In particular, it would be good to make interest rates dependent upon demand and supply. However, under the conditions whereby there is a lack of a market for credit resources and the dictates [bidding] of producers, the increase of interest rates, in our opinion, would not reduce the demand for credits. Moreover, monopolists take advantage of the well-known mechanism to transform them into excess production.

The idea being stated in the press of restricting the currency issuance by the specific percentage increase in the national income or the gross public product deserves our attention, although there is nothing new in this. The monetarists advanced such a proposal quite some time ago. Their leader, the American economist M. Friedman, even formulated the "monetary rule," according to which a pre-assigned growth rate in the money supply could exert a stabilizing effect on the economy. However, we should clearly recognize that such a measure, under our conditions, would bring about a number of quite unpleasant consequences: not only the closing down of enterprises which are operating at a loss or which make very little profit, but also the non-payment of some wages and a reduction in the outlays for social needs.

And I would particularly like to talk about another illusion, which, unfortunately, has deep roots. It is impossible to put an end to inflation with the aid of extraordinary measures or administrative-command methods. They can provide only an insignificant effect, inasmuch as experience has shown that enterprises and ministries have always adroitly avoided the cunningly placed traps of prohibitions. In particular, we cannot agree with the rash proposals about exchanging some money for another kind, about an administrative restructuring of prices and tightening controls on them, about hastily introducing a convertible ruble, based on the experience of the 1922-1924 currency reform.

The entire complexity of the fight against inflation consists of the fact that it is, at one and the same time, both a cause and an effect of a material-financial imbalance. On the one hand, an excess issuance of currency exerts an independent, destabilizing influence on economic ties and structures. It undermines the material and moral incentives to work, retards the transition to wholesale trade, distorts the nature of cost-accounting relations, and complicates the implementation of the

price-formation reform. On the other hand, the stability of the monetary unit is always determined by the condition of the entire national economy; it is of a general-economic nature.

In the final analysis, however, inflation manifests itself in the sphere of monetary relations. Therefore, it is specifically the restructuring of the monetary-credit sphere which should rank first in the program of anti-inflationary measures. This does not diminish the important role played by budgetary and tax policy, price formation, investment and structural policy, or the mechanism of foreign-economic ties in stabilizing the purchasing power of the ruble. However, world-level experience has shown that, under the conditions of inflation which threatens to make the transition from creeping to galloping, and then to hyperinflation, it is precisely monetary-credit regulation which advances to the position of a primary and key element of the entire economic policy.

Without claiming to set forth an entire anti-inflationary program, let me state certain ideas pertaining to monetary-credit policy. In the first place, the fight against inflation cannot be waged with our eyes closed; we need to fine-tune the open publication of data on the money supply, liabilities of the USSR Gosbank [State Bank], intelligently designed and computed indexes of wholesale and retail prices, and the cost of living (including alternative variants), etc. The lack of statistics on monetary circulation, closed down in 1937, deprives scholars and many specialists of the opportunity to soberly evaluate the situation and to propose solutions which are of practical value.

In the second place, we need to make energetic efforts to see the already-begun banking-activity reform through to a logical conclusion. It is our firm conviction that there is no sensible alternative to the formation of a two-level monetary-credit system. Its lower, moreover, foundation level must comprise the commercial banks, operating on the principles of cost accounting and inter-bank competition. The state specialized and commercial banks must be placed at various levels and made subordinate to the unified rules of monetary-credit regulation.

The upper level of the banking system should be occupied by the USSR Gosbank, which should be allocated the function of serving as a bank for the other banks. It must receive into its own hands the operative control of the aggregate, that is, cash as well as non-cash, monetary turnover in accordance with the legislatively reinforced goals of the current monetary-credit policy. Moreover, the state debt should be not simply officially acknowledged, but also covered by government securities issued for a specific time period, the maximum amount issued to be determined by the USSR Supreme Soviet.

In the third place, it would be feasible to gradually move away from cash and credit planning, replacing them by operations involving the placement of government securities in the banking sector (operations in the open

market), varying the mandatory reserves, a flexible interest-rate policy, as well as the establishment of standards for bank liquidity. Only with the formation of a system of monetary and financial markets will we overcome the passive issuance practice, whereby additional payment funds are put into circulation, depending upon the actual need for them.

In the fourth place, we must provide for the gradual fixing of the lower and upper limits for increasing the money supply. These limits must be tied in with the dynamics of the public product, the national income, prices, and other macroeconomic changes. It would be feasible to establish them for a definite time period (over the course of a year) and revise them depending upon the over-all business conditions and the priorities of the monetary-credit policy.

The renowned British economist, J. Keynes, once stated the following: "There can be no more clever or effective means for upsetting the foundation of a society than to derange its monetary circulation." And he was correct in this. An extreme pumping of money into economic circulation intensifies the fire of instability. At the same time it does play an extraordinarily important role of putting a society's productive forces into motion. And the less money required for this, the better. And that is why the fight against inflation is also becoming a fight for the nation's economic and sociopolitical health.

## INDUSTRIAL DEVELOPMENT, PERFORMANCE

### Progress in Reducing Overhead Costs in Industry Reviewed

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[Article by V.S. Levin, docent of Kharkov Engineering Economics Institute, candidate of economic sciences]

[Text] The intensive search for and mobilization of potential for reducing costs, which must always be at the center of attention of financial experts and economists of associations and enterprises take on the greatest importance in the context of full cost accounting (*khozraschet*) and self-financing. One of the essential sources from which to guarantee self-support is to reduce overhead expenditures, which represent a sizable percentage of production costs and have a large impact on the size of the production cost, the amount of profit, and the profitability of enterprises. Overhead costs include the expenditures of industrial associations and enterprises which pertain to the production process as a whole, the economic entity as a whole, and those costs which are outside the production process. They are grouped in various analytical categories.

For instance, the category "Financing the Administration" reflects the wages of management personnel and other expenditures of similar character, in particular



those used to maintain central control communication. The potential for reducing these costs is as follows: improving the structure of production management, mechanization and automation of management operations, activation of improved communication equipment, and increasing the volume of output, and here one of the ways is to increase the output of consumer goods and the rendering of services to the public.

The USSR Law on the State Enterprise extends broad rights in improving the structure of management. But at present they are not being sufficiently taken advantage of. In UkSSR industry, there are still a great many small enterprises which preserve the shop structure of management, whereas calculations of NIITrud have shown that there is no need for the shop tier of management in machinebuilding enterprises with fewer than 800 workers and in enterprises in other branches of industry with no more than 500 workers.

Mechanization and automation of production management are an important potential for reducing management costs. For instance, in the Leningrad Opticomechanical Association imeni V.I. Lenin the use of up-to-date computers and office machines have made it possible to eliminate more than 500 administrative jobs and to achieve an annual economic benefit of about 600,000 rubles.

Since administrative costs come under the heading of conventional fixed costs, their size per unit output can be reduced if the volume of production is increased. That increase is achieved without harm to output of the principal product by increasing the output of consumer goods and by rendering services both to the personnel of the given enterprise and also on the outside. Calculations pertaining to 20 machinebuilding associations in Kharkov and other cities have shown that increasing the output of these products by 15 percent and the volume of these services by 20 percent has made it possible to reduce administrative costs by 12.1 percent and to achieve an annual saving of 750,000 rubles.

Depreciation of buildings, installations, and fixtures occupies an evident place among overhead expenses. The principal way of reducing these costs is to increase the volume of production per unit of the value of fixed capital. Aside from the ways of increasing the volume of production already enumerated, it is especially important to increase the shift coefficient and to make the transition to two- and three-shift operation. A great effort has been made in Kharkov to convert enterprises to that regime, which has yielded a sizable economic benefit, one form being the reduction of depreciation per unit output.

Substantial potential for reducing overhead can be mobilized through optimum consumption of resources to maintain buildings, installations, and fixtures at the level of production as a whole and the economic entity as a whole. In many associations and enterprises, operations

to maintain cleanliness in shops and on plant grounds are still labor-intensive: they cost about 3 rubles to clean 1 m<sup>2</sup> of area by hand. Adoption of mechanized cleaning at the PO "Volgograd Tractor Plant imeni F.E. Dzerzhinskiy" made it possible to reduce these costs by a factor of 0.4. The costs of one cleaning machine is returned in 8-10 months based on the experience of the progressive PO's.

A large quantity of various auxiliary supplies are consumed in the housekeeping of shops and the plant administration and also in maintaining the electrical and heating systems, water supply, and sewer system. The effective way to economize here is to improve the setting of allowances, to monitor the use of these resources and to provide incentives for their optimum use. However, as shown by the checks and examinations by financial and auditing agencies, the allowances set on these supplies are frequently experimental statistical rates based on actual past costs, quite often including unjustified losses. Progressive experience, in particular that of the bearings industry, has convincingly demonstrated the possibility of setting technically sound rates of consumption on all types of auxiliary materials, including those used for housekeeping.

Practically no bonus system has been organized for saving on these supplies. Indicators which have the greatest influence on the saving of resources must be adopted as the initial indicators in awarding incentives for specific economies. For example, increasing the standard interval between fuse changes, reducing the standard percentage of light bulb breakage, increasing the coefficient of regeneration of lubricants, and so on.

Fuel and energy costs are rather sizable within overhead expenditures. But not enough is done to detect and use potential for reducing them. Checks run by financial authorities have shown that in many associations and enterprises in various branches of industry the rates of consumption of fuel and energy have become outdated. There is no systematic monitoring of departures from those standards, nor are the causes or perpetrators of overexpenditure discovered. As a consequence, no thorough analysis is made in those associations and enterprises of fuel and energy expenditure, including the portion included in overhead expenditures, and the measures to reduce it are a mere formality.

Fuel and energy expenditures are reduced as an element in overhead by working up the optimum operating patterns of heating and electrical installations, using secondary heat by installing economizers, waste-heat boilers, contact water heaters, by using thermal insulation, and so on. In addition to these measures, there is a substantial potential for reducing these expenditures in eliminating such causes of violations of standard rates of fuel and energy consumption as the lack of economical types of fuel, incoming fuel that does not meet the technical specifications, violation of the technological process of fuel and energy consumption, and the



improper condition of energy mains. Discovery of the causes of increased energy consumption and their thorough analysis in one of the Kharkov machinebuilding associations made it possible to work out sound limits on energy consumption for all types of requirements, including the maintenance of branches and the administrative headquarters of the association.

Overhead expenditures can also be reduced through optimum organization of the operations of maintaining buildings, installations, transmissions, hoists, and so on. For instance, in reduction of costs of lubricants used in tending gearing it is very important that they be reused after regeneration and cleaning in regenerating units. The use of up-to-date units regenerating oil with a yield of 86-88 percent provided a saving of 450,000 rubles per year in eight Kharkov machinebuilding associations. There is also considerable untapped potential in reducing the costs of repairing gearing and hoists. For example, when hoists and dollies are repaired in one of the machinebuilding plants the drive rollers and pulleys are not replaced with new ones, but are restored by resurfacing and machining, which makes it possible for the enterprise to save as much as 52,000 rubles per year.

Use of progressive equipment for performance of operations in the sales department yields a large benefit. In the PO "Gorkiy Motor Vehicle Plant," the use of forklift trucks to load engines into railroad cars makes it possible to save more than 100,000 rubles a year. If warehouse costs are to be reduced, standard containers adapted for stacking in many tiers must be used; this makes it possible to increase the height of the stack, to reduce the area occupied by warehouses and make it available for other purposes, to increase the coefficient of warehouse use and ultimately to reduce the cost per unit of goods stored.

Elimination of unproductive expenditures and losses represents an important way of reducing overhead. Checks run by a financial agency of Ukrainian SSR have shown that these costs have been dropping negligibly. There has been almost no decrease, and in certain cases there has even been an increase in the losses resulting from downtime, spoilage of inventories during storage in shop and plant storehouses, shortages of supplies and products, and work in process. In many associations and enterprises, losses because of equipment downtime are still substantial. Their reduction by only 25 percent in Kharkov machinebuilding associations could yield a growth of output of 45 million rubles and reduce overhead by 2.5 million rubles.

Losses from spoilage of supplies and products in shop and plant warehouses have not been corrected. Because of the imperfect recordkeeping and monitoring, the perpetrators of these losses are frequently not discovered, and the loss is not made up to the association or enterprise, but is automatically written off, thereby increasing overhead. Deficiencies in warehouse management and the conditions under which inventories are

stored contribute to the formation of those costs. When shops and enterprises undergo reconstruction, provision should unfailingly be made for building or modernizing warehouses for supplies and finished products, for equipping them with quality equipment and accessories, for organizing storage to meet present-day requirements. In one of the Ukrainian machinebuilding associations, modernization of plantwide storehouses resulted in almost complete elimination of losses from spoilage of supplies (they amounted to 94,000 rubles per year).

Eliminating shortages of inventories in shop and plantwide warehouses and in work in process is still an urgent problem. If these losses are to be eliminated, there must first of all be scientific organization of internal monitoring of both warehouse stocks and also the movement of parts and intermediate products in the production process. The radical solution to the problem is to set up comprehensive control embracing all economic activity, and to automate it, but that takes time. But for the present, progressive forms of recordkeeping and control such as the routing system and control using shop balance sheets of parts and the like are effective. The progressive know-how of the machine tool building industry convincingly demonstrates that drawing up balance sheets of parts, which make it possible to discover remainders and movement from one position to the next, affords practically complete elimination of losses in work in process and reduction of overhead.

Elimination of above-allowance inventories, which require large unjustified expenditures for storage, shipment, maintaining additional warehouse personnel, and so on, plays a large role in reducing overhead. The experience of the PO's "Kharkov Tractor Plant imeni S. Ordzhonikidze" and the "Minsk Tractor Plant imeni V.I. Lenin" is instructive in this regard. In these associations, the cost accounting of the material and technical supply department and external assembly department provides for material motivation to reduce stocks and financial liability for their unjustified growth. Financial departments of associations constantly monitor adherence to the allowances of warehouse inventories and the costs of warehouse maintenance. Such measures help to reduce overhead.

Elimination of cases of wastefulness, mismanagement, breaches of safety techniques and normal working conditions is a significant way of reducing these expenditures. These are what are called miscellaneous overhead expenditures. They include amounts by which normal shipping rates are exceeded, losses related to goods shipped erroneously, the charge for exceeding limits on electric power and gas consumption, and reimbursement of loss related to workplace injuries. Reduction of overhead expenditures and accordingly of production cost is an important part of a set of interrelated measures to strengthen the financial condition of associations and enterprises.

## REGIONAL DEVELOPMENT

### Panel Studies Transformation of AzSSR to Economic Autonomy

18200366 Baku BAKINSKIY RABOCHIY in Russian  
4 May 89 p 2

[Account of panel discussion in the "Public Debate" discussion club organized by BAKINSKIY RABOCHIY of the draft of the document "General Principles for Restructuring the Guidance of the Economy and Social Sphere in the Union Republics on the Basis of a Broadening of Their Sovereign Rights, Self-Government, and Self-Financing," with key republic officials participating: "Cost Accounting (Khozaschet) in the Region"]

[Text] [Box]

### The BAKINSKIY RABOCHIY "Public Debate" Club for Working Meetings

"A Strong Center Means Strong Republics"—this thesis probably reveals most fully and accurately the essence of regional cost accounting, the conception of which has been worked out in the draft of the "General Principles for Restructuring the Guidance of the Economy and Social Sphere in the Union Republics on the Basis of a Broadening of Their Sovereign Rights, Self-Government, and Self-Financing."

Cost accounting of the region is a concept new to us. It is growing organically out of the smoothly functioning system of state, cooperative, and lease-based enterprises operating under the conditions of the socialist market and guaranteeing highly efficient operation without losses. But the term "regional cost accounting" is broader and deeper than just transformations in the economic sphere. The self-financing of a region cannot be separated from carrying out a reform of the political system, from granting local soviets the powers of true popular sovereignty, and from building a socialist state based on law.

The cost accounting of the region is the objective reality of tomorrow. BAKINSKIY RABOCHIY has taken up this problem more than once. In the articles "Do Not Be Left at the Starting Line" and "Possible Alternatives" (9 September 1988), "The Stagnant Syndrome" (6 October 1988), and "Revenues and Expenditures" (16 December 1988), our newspaper has opened up a broad discussion of this topic among readers.

We are continuing it today. Participants in the meeting in our "Public Debate" discussion club included: Z. Samedzade, corresponding member of the AzSSR Academy of Sciences and head of the Socioeconomic Department of the Azerbaijan CP Central Committee; F. Faradzhev, deputy chairman of AzSSR Gosplan; B. Karayev, republic finance minister; V. Rzayev, chairman of the Board of the Azerbaijan Republic Bank of USSR Agrobank; A. Azizbekov, chairman of AzSSR Gosstrib; S. Guseynov,

deputy director of the Scientific Research Economics Institute of the republic gosplan; N. Nabiyeu, department head in the Economics Institute of the AzSSR Academy of Sciences; S. Mamedov, deputy dean of the School of Finance and Economics of the Baku Branch of the Leningrad Finance and Economics Institute imeni N.A. Voznesenskiy; E. Mamedov, chief of the Finance Administration of AzSSR Minlegprom; and A. Naibov, BAKINSKIY RABOCHIY correspondent.

Z. Samedzade: I would like to begin at once with the main thing: regional cost accounting, whose problems we are discussing today, must become the force that tightens and cements the unity of the fraternal peoples of the USSR, rather than dividing them. Why do I set forth this thesis as the preamble to our discussion and why do I concentrate particular attention on it? Well, because recently we have quite often had occasion to encounter attempts to use the conception of regional cost accounting as a kind of screen disguising isolationist tendencies. What do I specifically have in mind? The versions of regional cost accounting proposed by the Baltic republics threaten reduction and indeed even termination of economic ties among the union republics. Can such a thing be allowed in the context of a state structured on the principles of a socialist federation, that is, a voluntary union of sovereign republics united by age-old economic and cultural ties and with a common history and political system? I think the answer is decided in advance: the transition to a confederation, which some comrades are militating for, would be a step backward. Throughout the world we observe the exact opposite: a strengthening of centripetal tendencies, consolidation of forces, and internationalization of the economy. But what are some scientists proposing to us? An internal market closed upon itself and even a national currency within a republic....

Correspondent: As is well-known, even the countries of the EEC intend to introduce a common monetary unit—the ECU. This is natural. Integrative processes in the economy will sooner or later lead to the same result within several countries, not to mention the individual state. In the case of our country, as M.S. Gorbachev noted in his address to the Extraordinary 12th Session of the USSR Supreme Soviet, 11th Convocation, "the unified national economic complex has taken shape, and within its framework the needs of all the republics are being met for raw materials and fuel, machines and instruments, food and consumer goods. Everything is so interwoven in the Soviet economy, so interrelated, that all it takes is to shut down one or two enterprises to cause immense damage to the entire national economy, since this results in an entire chain of disruptions of the rhythm of production. It is with this in mind that the issue of introducing republic cost accounting should be decided." Those same key provisions of regional cost accounting are also reflected in the draft of the General Principles...: active participation in integrative processes, a deepening of the division of labor within the union, and formation of a unified socialist market.

Z. Samed-zade: Take our republic. Azerbaijan supplies steel pipe to the country, oil field equipment, aluminum, synthetic rubber, synthetic detergents, manufactured fertilizers, steel rails, electric motors, refrigerators, household air conditioners, fabrics, carpets, canned fruits and vegetables, tobacco, jewelry, and various agricultural raw materials. We ship about half of our industrial output to other regions of the country. At the same time, imports meet all the republic's needs for sugar, linen products, coal, refractories, tractors, television sets, processing equipment in metallurgy and printing, the products of wood chemistry, microbiology, motor vehicle manufacturing, and more than half of the needs for porcelain and earthenware, cotton and woolen fabrics, knitwear, fish, milk and dairy products, flour and rolled products.

As you see, to separate Azerbaijan's economy from the unified national economic complex would undermine the well-being of our republic's inhabitants and would threaten the goal of restructuring. We cannot allow that.

A. Azizbekov: I agree entirely with that conclusion. I would only like to supplement what has been said with figures. Today, the share of interrepublic and interregional deliveries constitutes about a third of their total volume, including three-fourths for gas and petroleum, 70 percent for machines and equipment, and approximately 40 percent for ferrous metals. But it is not just a question of percentages. Our republic's work collectives are bound to the country's enterprises by firm traditional ties of friendship which regional cost accounting should not weaken, but, on the contrary, reinforce still more.

Correspondent: To judge by our discussion, most of the participants in the meeting have arrived at the fundamental idea of regional cost accounting in Azerbaijan: it must develop within the framework of the existing traditional economic, political, historical, and cultural bonds of the union republics and of all our country's peoples, and it must serve to strengthen their unity and solidarity. The USSR is our common home. But you probably agree that Domostroy is not suitable in a modern home, in a modern family. The autocracy of departments, their neglect of the interests of regions, heavy-handedness on the principle of "what I say goes"—all of this can only discredit the ideas of federation. We need not look far for examples. You see what the union ministry of chemical industry has turned the city of Sumgait into, having usurped the right of the sovereign to use a region at its own discretion, organizing there a large number of harmful production operations. Incidentally, with the tacit consent of local entities of soviet power. We are now emancipating ourselves from this legacy of the time of the stagnation, and we are closing or rebuilding the chemical enterprises. It is very important, then, to make regional cost accounting an ally against excessive departmental "enthusiasm." After all, it is the departmental approach, as noted in the draft of the General Principles..., that created the disproportions between the production sphere and the social sphere,

that complicated the economic situation in a number of regions, that aggravated the problems of regions with labor surpluses and labor shortages, and that caused the inadvisable migration of the population.

N. Nabiyev: You are putting salt on a painful wound. The ecological situation in our republic can be described as precritical. Today, the environmental criterion is by no means the primary one in the economic activity of enterprises, branches, and departments. Our economy has not been turned toward economical use of natural resources, waste-free technologies, and clean processes. The system used to evaluate enterprise performance does not motivate collectives to protect the air and water, the soil and the forests. Just look at the indicators that are emphasized in our system: the volume of output, profit, and labor productivity. They are what wages, economic incentive funds, social benefits, and material sufficiency depend on. At the same time, the performance of natural conservation measures usually requires additional outlays for enterprises, without, however, increasing their output or profit. On the contrary, usually they increase the production cost, reduce profitability, in short, they simply are not advantageous to the collectives.

The traditional forms of natural resource use generate contradictions between the departmental interest and the public interest and inflict irreparable and frequently irreversible damage on nature and our health.

Now that we are finally beginning to become aware of the unfortunate deeds of our own hands, now that the program "Health" has been drafted in the republic, I consider it necessary to put the question this way: Do we need to include damage to the environment in the system of economic accounts, which would make it possible to orient enterprises toward an economic activity that would take ecology into account. It is not that we need to combat the consequences of polluting the environment, but rather we need to prevent them in the first place. In my opinion, that postulate must be fundamental to the conception of regional cost accounting. This will make it possible for us to stand in the way of departmental expansion.

S. Mamedov: The dictate of departments has long been a commonplace. Every department tries to secure material resources for its own enterprises first. And it does not care in the least if in the given area there happens to be a plant or factory shipping exactly the same product...in the opposite direction. Figuratively speaking, the department, like the feudal landowner, sees only his own thief. With the transition to regional cost accounting, we have to do thorough work on this problem and outline ways of solving it. I feel that we should take the same road as they have started out on, for example, in Leningrad and Moscow: to create intersector production associations, concerns.

F. Faradzhev: The policy of the departments has in a number of cases been just as shortsighted with respect to labor resources, employment, and the regulation of demographic processes. Our republic is among the regions with a surplus of labor. And those economic instruments which are effective in other republics experiencing a strain on their manpower are not applicable in Azerbaijan. In fact, it turns out that the labor-saving strategy imposed on us from above, which fails to take into account specific local conditions, results in shops short of personnel and does not provide motivation to make the transition to operation on more than one shift and to create new jobs.

We need a more flexible system of management based on knowledge of the demographic situation in the region, which would make it possible to use the resources earned by the republic to effectively solve the problems of personnel training and retraining and to bring the labor supply into social production. But if all of these and many other problems are to be solved in fact, not just on paper, a number of ministries, departments, enterprises, and associations have to be transferred from union to republic jurisdiction.

The draft of the General Principles... gives a rather detailed list of those things which must remain at the disposition of the center and those which it would be more expedient to transfer to republic jurisdiction. There are, of course, things to argue about here, but I think that that is a topic for a separate discussion.

Z. Samed-zade: When we speak about the economy of the USSR as a unified national economic complex, we do not mean merely an arithmetic summation of the potential of each republic, but their most optimum inclusion in the potential of the entire union. Only in this case could regional cost accounting be beneficial to each region, each nationality and ethnic minority, and that means also to the entire state, becoming a factor that equalizes the economic and social level of the republics. A factor that equalizes, rather than levels—that is what is important. For our objective is not to give a ring to every sister, that is, to divide up the goods equally from the center, but to create those conditions that would pull the regions that have been lagging in the level of their social development up to those which have moved out ahead.

Unfortunately, our republic is at present among the former. The per capita national income produced in Azerbaijan is about 80 percent of the union level, and in the case of the national income used it is only 63 percent.

Correspondent: The difference between the income produced and the income used in 1986 was 2.416 billion rubles in actual prices, according to what our newspaper wrote in the article "Possible Alternatives." In 1987, the figure was 2.454 billion. Why are we giving out more than we are getting? This can hardly be blamed on anyone's malicious intrigues, as some of our readers attempted to do after studying very carefully the article

by S. Mamedov, who incidentally is taking part in our discussion today. Subsequent articles in BAKINSKIY RABOCHIY and other republic newspapers brought clarity to this delicate question. It turns out not to have been anyone's evil intent that is to blame, but the imperfect structure of our republic's economy, which is oriented toward the export of raw materials and semi-finished products and the import of finished products, the "wine crisis" in 1985, the fact that many enterprises are operating at a loss, and the social vices that have been eating away our society like rust—corruption, figure padding, graft, and clannishness....

S. Guseynov: The imperfect structure of the economy has been referred to among the causes of our misfortunes. I agree with this entirely. As a matter of fact, Azerbaijan SSR is one of the few union republics where the bulk of the unsolved problems—both economic and social—are related to the unbalanced structure of the economy and of industry in particular. In most regions of Azerbaijan, industry is mainly represented by enterprises in light industry and the food industry, which do only the primary processing of local raw materials. In most cases, these enterprises do not bring their product up to what we might call condition, but rather they send it into other regions of the country in the form of semifinished products. It is only there, as it passes through all the final stages of processing, that its price goes up. Primary wine-making materials, which we send outside the republic, where they are turned into wine, which, as is well-known, is not inexpensive, is the most typical example.

Add to that the low level and underutilization of the production potential, the scientific-technical potential, and the resource potential, the losses from the unequal exchange with other republics, and, a consequence of the first, the need for subsidies—that gives you the entire splendid "bouquet" of our difficulties that have resulted in the economic and social strain.

S. Mamedov: What do you propose?

S. Guseynov: I propose: first—to organize and produce only those products which are in demand on the all-union market and world market. Second—sharply increase the share of finished products, which, I would note, will have not only economic importance, but also social and ethical importance. Third—priority development of science-intensive branches of industry, especially those requiring large inputs of skilled labor, and production operations in machinebuilding which are not metals-intensive. Fourth—extensive practice of creating in rural areas small specialized enterprises and subsidiaries furnished with up-to-date equipment and processes. As demonstrated by the experience of other republics and countries, it is these small and flexible production operations that are capable of going onto the market with a competitive product in a short time and thereby guaranteeing the successful functioning of the region in the context of cost accounting.



Finally, within the framework of today's discussion it is not possible to analyze in detail all the aspects of our economy's transition to regional cost accounting. But I feel I have mentioned the main directions.

Correspondent: You have proposed an entire program of profound structural transformations in Azerbaijan's economy. Incidentally, the urgency of this topic is not confined to our republic: in the draft of the General Principles... social reorientation and structural revamping are named among the problems that have the most vital importance to our entire society. But do allow me this question: Where are we going to find the money for all this?

E. Mamedov: There will never be enough money so long as the present situation lasts, a situation in which the enterprises and ministries of our republic are subject to an excessively high "tax" to support the budget. Our republic Minlegprom, for example, transfers as much as 50 percent of its profit to the budget, while in Estonia the figure is only 30 percent. The same thing is observed at the level of enterprises, many of which share the lion's share of their profit with branch headquarters. These issues have to be regulated on the threshold of regional cost accounting. Finally, the main internal potential for profitable operation, for operation of collectives without loss, lies within them.

V. Rzaev: The problems are familiar.... The same thing is also observed in the agroindustrial complex, where most farms are operating at a loss. Yet the successful introduction of regional cost accounting depends in large part on the state of affairs in the agricultural sector, since that is where most of the income of many of the republic's rayons is formed.

B. Karayev: Both Minlegprom and Gosagroprom have a great deal to do to get out of debt. Nor are they alone. This is an extremely important task. After all, the principle of regional cost accounting, which is based on self-support, on income in excess of expenditures, is feasible only when every link in the system—the branch, the enterprise, the rayon, and the city are self-supporting and begin to put income into the common money box. That is why in preparing for regional cost accounting we must take decisive steps to normalize the financial condition of enterprises and branches, engage in a "purge" of economic entities operating at a loss or low level of profit, set up a barrier to nonproductive expenditures, put "frozen" inventories to use, and quicken the circulation of money.

The question of redistribution of income between the enterprise and the branch, between the branch and the budget, has rightly been touched on here. In this matter, it has to be stated clearly how much is to go to whom. I can tell you that in the context of regional cost accounting it is assumed that most of the income will remain at the disposition of the republics, and only the turnover tax would be used as a regulator. Provision has also been

made for a substantial increase in rates of transfers to republic budgets from the profit of enterprises under union jurisdiction. Thus, I hope that the power of central departments, which have had a habit of representing their own interests as those of the state, will be weakened, and the economic effectiveness and political authority of local bodies of government will be strengthened.

But this is only one aspect of the problem of drawing the line between the revenues of the center and those of the periphery. Another problem is equally important in my view: formation of the budgets of the republic and of its administrative subdivisions—cities, rayons, and so on. Its complexity is compounded by the unevenness in development of the production infrastructure and social infrastructure from region to region. We have here in Azerbaijan cities and rayons whose local budgets represent a sizable sum in the total amount of state revenues. They are Kirovabad (17 percent), Lenkoran together with the rayon (49 percent), Ali-Bayramly (54 percent), Agdamskiy Rayon (41 percent), Belokanskiy Rayon (66 percent), and certain others. At the same time, in a majority of the republic's rayons (about 70 percent of their total number) we observe the opposite: the budgets exceed state revenues. Substantial resources have to be sent there in order to equalize the economy of the regions.

S. Mamedov: Once again, injections in the form of subsidies? Would it not be better to take the road that has been discussed here—creating in those rayons small and medium-sized enterprises and subsidiaries, mainly in the manufacturing field, thereby solving not only economic problems proper, but also social problems and demographic problems of the regions operating at a loss? Of course, this will also require resources, but by contrast with resources that are simply redistributed, they will not disappear like water in the sand. On the other hand, your calculations do not take into account all types of state revenues: for example, proceeds from foreign economic operations, which exceed 1 billion rubles. Accordingly, it is worth giving some thought to broadening the rights of regions in organizing foreign economic relations, creating local foreign exchange funds, and compiling regional foreign exchange balances.

A. Azizbekov: You have forgotten about the joint enterprises to which the draft of the General Principles... paid considerable attention with respect to restructuring the regional economy. Joint enterprises can contribute to the rapid and effective economic upsurge of a region. Moreover, they can be created not only with foreign firms, but also with enterprises of other union republics, and it is not precluded that this could be done on a cooperative basis. It is important to orient such enterprises toward meeting the most urgent needs of the republic market. At present, for example, the question of a joint enterprise for timbering and lumbering is quite acute.



Z. Samed-zade: The question of converting cities and rayons to cost accounting must be dealt with in a way that takes all aspects into account. I agree with Comrade B. Karayev: because of uneven development and location of the productive forces, an ineffective structural policy, and, I would add, a pricing system that in a number of cases was not well-thought-out, some rayons of our republic have become rayons operating at a loss. They cannot be converted to cost accounting all at once. Minfin and our other economic staffs should join with local soviets in thinking over and preparing a program for financial recovery of their areas, including specific deadlines for making up their lag. But until then—what is one to do—their losses will have to be financed.

N. Nabiyev: If today the conception of republic cost accounting is more or less clear to us, we cannot say the same with respect to regional cost accounting. This is after all a broader term.

F. Faradzhev: Our task in that respect is to devise a well-structured system of regional cost accounting the links in which might be all administrative-territorial units—from the rayon to the republic. In my view, the rayon must be viewed as the primary and lowest-level link in that system.

Z. Samed-zade: And I suggest that the sights of regional cost accounting can be lowered still further—to villages and settlements. The deeper cost accounting penetrates into all the “pores” of administrative-territorial division, the stronger its stimulative effect will be.

S. Mamedov: It seems to me that it is more important to formulate the central idea of regional cost accounting itself. This is a method of economic activity in which all the expenditures of the regions, including outlays for social development, for administration, are covered from their own revenues, while at the same time the regions take an active part in building up all-union funds on the basis of long-term stable rates. This principle is equally applicable to the republics, the oblasts, cities, and rayons.

Z. Samed-zade: So, I think we can sum up the results. Let us try to formulate the fundamental principles of regional cost accounting in Azerbaijan SSR.

**First:** cost accounting must in no case result in the economic, social, and cultural isolation of the republic, but on the contrary it must become a factor for deepening and for further development of relations of every kind among the fraternal peoples of our country.

**Second:** regional cost accounting sets the most important task of attaining optimum combination of the interests of the republic and the country, of the region and the republic, of the enterprise and the branch, of the branch and the administrative district. It returns to local soviets the powers of true popular sovereignty.

**Third:** cost accounting of the administrative district must contribute to knowledgeable and optimum utilization of natural resources, to creation of those economic conditions and prerequisites for work collectives that would make economic activity cognizant of the environment the only profitable strategy.

**Fourth:** regional cost accounting pursues the objective of achieving operation without losses and high profitability in operation of enterprises and branches of the economy, of preparing the soil for accomplishment of profound structural transformations in the economy, and ultimately of contributing to a rise in the material and nonmaterial standard of living of the people.

**FROM THE EDITORS.** It seems to us that this discussion has only indicated the basic and key problems in regional cost accounting, without detailing the specific directions of this effort. As a matter of fact, that was not even required; the task of those who took part in the round-table discussion was to work out a general conception, a single strategy for carrying out the transformations that have been outlined in the economy, in the social and political sphere, whose objective it is to prepare our republic for its entry into a crucial new stage of the radical economic reform. We believe we will not be wrong if we express the opinion that they seem to have been successful in this. The task now is to elaborate on the discussion that has been initiated, to discuss the specific questions of cost accounting of the administrative district in a meaningful way in the pages of *BAKINSKIY RABOCHIY*: fair distribution of resources, definition of the prerogatives of the center and the periphery, pricing, the environment, losing operations, structural revamping, and so on. We invite our readers to take part in a discussion of these topics.

#### **Kirghiz Light Industry ‘Tentatively’ Introduces Leasing**

18200365 Moscow *PRAVITELSTVENNIY VESTNIK*  
in Russian No 9, May 89 p 4

[Interview with A. Iordan, deputy chairman, KiSSR Council of Ministers, by V. Verbkina, correspondent: “Not Simply ‘Mass Scale’: In the KiSSR Council of Ministers”]

[Text] “To finish up work on the decree, having reflected more widely therein the difficulties of converting to the new form of economic management”—such was the conclusion which resounded at the session of the Presidium of the KiSSR Council of Ministers, which thoroughly analyzed the development of the leasing contract at enterprises of this republic’s ministries of light, local, and building-materials industries. Does this mean that we were in too much of a hurry in discussing the problem? It was with this question that we began our interview with A. Iordan, deputy chairman of the KiSSR Council of Ministers.

Of course not, he said. The corrections and amendments to the drafts of the government decisions comprise the ordinary and inevitable consequence of any motivated discussion. Though, in this instance, it manifested itself in the novelty of the subject under discussion, the rather low level of information possessed by a number of managers concerning the fundamental operational features of leasing. For example, during the course of preparing for the session some important officials of a certain ministry, in presenting the necessary information, confused the leasing contract with...a collective contract! There were also other flaws. None of this escaped the attention of the Presidium members. Nevertheless, they unanimously declared the timeliness and the necessity of discussing the practical experience gained in introducing leasing relations in the above-named ministries.

What brought this about? First of all, the extremely acute need to fill the market with consumer goods. In our republic it is specifically these sectors which are the largest producers of such consumer goods. During the year just past the ministries of light and local industries, as well as that of the building-materials industry, implemented a complex of measures to convert their sub-departmental enterprises to the new conditions of economic management. And this allowed them to achieve an increase in their output volumes. But elements retarding these processes have not yet been completely eliminated.

For example, in 1988 the non-production expenditures for light industry as a whole amounted to almost 10 million rubles. Incentives for increasing the output of high-quality items are still ineffective. We are likewise disturbed by the dependent and even parasitical standpoint taken by the managers of low-profit enterprises and those operating at a loss, who, just as before, count on being "fattened up" at the expense of the leading collectives. Leasing enables us to put an end to all this.

We have been convinced of this by the initial experience of enterprises and sub-divisions which have converted to leasing conditions. Take, for example, the Sulyuktinskiy Brickyard of this republic's Ministry of Industrial Building Materials. By operating under the new conditions since the second six months of last year, it was able to significantly improve its principal economic indicators. Here are a few figures. The task assigned for 1988 with regard to brick production was fulfilled by 104.2 percent, labor productivity rose by 13 percent, and the average wage increased by 9.9 percent. This enterprise successfully coped with the state order and the plan for deliveries in accordance with direct contracts. With regard to profits, the plan was fulfilled by 141.2 percent.

The new conditions of economic management are also blazing a path for themselves in light industry. Since the beginning of the current year the leasing contract system has been in use by the Tokmakskaya Worsted-Spinning Factory, which employs more than 1800 persons. And

immediately this lagging enterprise felt more confident in itself. In January-February the state order and contractual obligations were fulfilled for the first time; productivity and profits also increased.

Nevertheless, improvement of the economic mechanism based upon transferring producer goods to leasing for the labor collectives is being carried out indecisively. That is why this republic's government has recognized as unsuccessful the organizational work done by the ministries of light and local industries. It was noted that they have been too slow and inconsistent in restructuring the intra-production ties, insufficient in their study and weak in their propaganda of the operational experience of the contracting collectives. In connection with this, the leading officials of all three sectors have been assigned the task of working out a plan of measures for developing the leasing contract.

Such an approach scarcely signifies a desire to achieve a "mass scale." On the contrary, at the session of the Presidium we directly warned the ministers against sliding into a campaign-style approach in this matter, against imposing leases on labor collectives against their will. There is a single principle at work here: only the collective itself, after very carefully weighing all the possibilities, should adopt the decision to convert to the new conditions.

Beginning in July 1989, the following enterprises intent to convert to leasing contracts: the production line of the knitted-goods association and ambar factory in Frunze, the Alamedinsk Branch of the Hosiery and Kerchief Association, the Dzhala-Abadskaya and Mayli-Sayskaya Garment Factories, the low-profit production facilities of the Talasskaya and Przhevalskaya Garment Factories, as well as several other collectives. It is assumed that prior to the year's end a total of 10,000 persons will be employed on leasing contracts in this sector. A number of enterprises in local industry and the building-materials industrial will also convert to leasing conditions.

In the discussion of this matter, A. Iordan continued, it was noted with complete justification that the widespread introduction of the new form of economic management was being retarded due to the absence of a law on leasing. The session of the Presidium took place not long before the publication of the Ukase of the Presidium of the USSR Supreme Soviet entitled "On Leasing and Leasing Relations in the USSR." It, of course, removes many obstacles to restructuring property-ownership relations. But legal principles will not manifest themselves unless we create reliable economic and organizational foundations for the operation of leasing. Proceeding from this point, the KiSSR Council of Ministers specified a number of serious measures pertaining to working out normative-technical documentation by sectors, allotting funds for monitoring-and-measuring instruments, equipment and materials for enterprises of the above-indicated ministries, developing wholesale trade in production and technical items. Of particular

importance is the activity of specialized, republic-level banks, which will now be required to stand by as impartial observers, but to serve as active, motivated partners of the leaseholders.

It was explained at the session that the problem of understanding the economic mechanism of leasing relations is an acute one for everybody—ranging from the rank-and-file laborer to the leading official of a sector. In this connection the Presidium of the Council of Ministers has assigned us the task of providing a broad-based, economic

education for future leaseholders, utilizing for this purpose all existing forms of personnel instruction. For starters, the KiSSR Goskomtrud [State Committee for Labor and Social Affairs] has opened up a cost-accounting center; its task is to render methodological and practical help in introducing leasing contracts. This republic's Council of Ministers has founded an Institute for Upgrading the Skills of Management Personnel of the National Economy. The initial group from among employees of the Ministry of Light Industry and the Ministry of Local Industry has just enrolled here for study.

## AGRO-ECONOMICS, POLICY, ORGANIZATION

### Institute Director on Democratization, Agro-Economic Reform

18240172 Saratov STEPNIYE PROSTORY in Russian  
No 4, Apr 89 pp 2-5

[Article by V. B. Ostrovskiy, ISEP [expansion unknown], APK, USSR Academy of Sciences, doctor of historical sciences: "On Democracy and Management/According to the Materials Based on Comprehensive Research 1985-1988"]

[Text] Qualitatively-new relations within the "man-technology-nature" system accompany production development. An agro-industrial complex, today still in the initial stages of development, is appearing and a new system of cooperation is being created according to Leninist principles.

Working with living nature, with varying and constantly changing climatic and weather conditions, the APK is incompatible with a severe centralized command-administrative management system. This is convincingly attested to by the extensive unfortunate experience we have amassed.

The perestroyka that has begun as of yet does not radically touch all elements of the old system. The lack of consistency and the half-heartedness of the measures being taken can destroy the development of the new. In our opinion, democratization in managing the processes of agro-industrial integration and cooperation must proceed in the following directions:

#### 1. Democratization of property relations.

Deformations in property which arose as a result of the command-bureaucratic system of managing society were expressed in the loss of variety of property forms, reflecting the interests of various classes and strata, social groups and individuals; in belittling the role of kolkhoz-cooperative property; in distorting the principles of kolkhoz democracy; and in a lack of personal responsibility for public property.

The process of eliminating these deformities is proceeding extremely slowly; many unsolved problems remain.

The historically-unjust inequality between the village and the city resident remains in terms of ownership, disposal and use of public ownership objects. The village resident has significantly less property at his disposal because a very disproportionate share of national income is directed into the village.

Over many years we became used to taking things from the village; now the time has come to give back to the village and to considerably increase capital investments

for the development of village production and the social infrastructure. There should be an increased share of the cost accounting income of APK enterprises left in the village.

The equality of rights between the state and kolkhoz-cooperative sectors of the economy is not being supported economically. Thus, there is a continuation of the process of increased cost of the means of production for agriculture (absolute sum of annual increased costs—20 billion rubles). The differences that exist within the economic mechanism of kolkhozes and sovkhoses is unjustified in terms of payments into the budget, budget financing of capital investments, taxes on wages and payments into centralized social security and insurance funds. Despite proclaiming the principle of independence, up until now there still exists a severe regulation of economic relations: total confirmed indices for the 1988 plan decreased in agriculture very insignificantly—by 6 percent. The right to property for production output, which means that kolkhozes use their own discretion to sell only that which remains above the contract into the state order account, remains formal.

The characteristic features of socialist production relations have been based repeatedly on having each worker feel like a manager. Meanwhile, the substantiation of the material basis for this feeling is more important. It is impossible to place the worker into the position of manager without first creating the conditions for his participation in the organization of work and without giving him the responsibility for it not only in his work place, in the enterprise, but also in the country's economy as well.

The operation of small and middle-sized enterprises is becoming the normal consequence of the development of production forces and of production socialization. Contemporary agro-industrial production includes large associations as well as flexible multi-variety forms of cooperation. The existence of various forms is not a process of desocialization. Rather, it is a type of socialization in new, specific forms of self-administration.

#### 2. Freedom to select economic forms.

Today many new economic forms have arisen, such as the agro-industrial combine, firms, scientific-production systems, lease contracts, cooperatives and cooperative associations. However, we have already noticed cliches, stereotypes, willful pressure and percent-mania in the selection of a particular type of form. We are forgetting the bitter lessons of history, which showed that force in economic life does not yield positive results.

It would be expedient, for example, for the sake of fashion to forget and sometimes to destroy interfarm enterprises for the fattening of cattle that have been developed and are functioning effectively. Many of them have already perished. But it was not because the idea of specialization and cooperation by stage is fallacious but

because these enterprises were also often created under the influence of fashion, because of orders from above and without adequate foundation or a deep interest among partners. Under the conditions of a new economic mechanism these forms of cooperative relations can and must be reborn on a new economic foundation.

It would probably be a mistake to break up or separate large mechanized livestock-raising farms with the transfer of livestock into uncoordinated contract brigades instead of looking for new forms of labor organization in large production organizations.

The Novosibirsk experience of transforming kolkhozes and sovkhozes into a system of cooperatives specializing in narrow portions of the technological process is not suitable everywhere. It does not change the position of the worker, does not make him the manager of production and fetters independence with complex technological dependence. A more reliable means of developing large kolkhozes and sovkhozes would be to break them up into smaller units.

Family contracts and leasing require a thoughtful attitude. As contemporary experience shows, these have faced formalism and callousness within the organization, a low economic level and willful management methods, a blossoming psychology of egalitarianism and limitation of material and moral incentives, the absence of adequate guarantees in contract relations, and laziness, carelessness, indifference and passivity. Contracts and leasing—this is not a return to the anarchism of the small-scale, patriarchal peasant enterprise but a form of using the advantages of small-scale production in the interest of economic and social progress. In our opinion it is preferable that individual labor activity, family contracts and leasing be developed within the framework of kolkhoz and sovkhoz production as personified forms of organization of public labor. When development has a good foundation cooperation in a particular type of operation (cooperation among farmers) becomes effective.

Small and medium-sized enterprises, as world practice shows, are not a hindrance to scientific-technical progress. The task consists of equipping leasees and contract collectives with modern small-scale technology, a selection of agricultural machinery and inventory, new technologies for small-scale production, pedigree livestock and elite seed. This task is being dealt with poorly. The contract and the lease are skidding...

### 3. Independence in planning.

Without this it is impossible to be a manager on the land, impossible to carry out profitable production. But the truth that does not require proof was rejected and continues to be rejected, beginning in the 1930's and continuing until now. Today this idea has finally been

secured in the Law on Cooperation. In order to implement it we must decisively do away with petty guardianship of kolkhozes and sovkhozes and boldly move to planning from below. However, this is not being done yet.

The plan for APK development continues to represent a collection of branch indices. The planning method has remained as before. The chase after the for-show fulfillment of the plan at any price continues whereas today most attention should be focused on the development of conditions for expanded reproduction in every enterprise. Otherwise, as in many previous years, we will be chopping off the branch we are sitting on.

The old content has been put into the new term "state order"—in the form of an order enterprises are being assigned that same plan but in a somewhat smaller inventory. State orders have actually been transformed into state commands. Once again enterprises have been assigned about 80 mandatory indices through various management channels.

The main thing that is essential now is to give independence to kolkhozes and sovkhozes in all directions of economic operations. Planning must occur from below, based on the land, on the potential possibilities of every enterprise and on competition and weather conditions. On the basis of the plans created by enterprises, an oblast production volume and structure are planned and proposed to the government.

We studied the effectiveness of planning from below in 1988 on an experimental basis in 165 enterprises in 7 rayons of Saratov Oblast. Enterprises were given the opportunity to independently determine the volume and structure of product deliveries into state funds and into their own and rayon self-support funds with a consideration of specialization and the opportunities for intra-oblast exchange. This kind of approach enabled us, first of all, to improve the structure of sowing areas and of the herd, to determine the increase in yield and in animal productivity with a consideration of the real possibilities for each kolkhoz and sovkhoz and to establish the basic tendencies in the development of their economies. This turned out to be more effective than dictated planning.

The study results enabled us to make projected calculations of production in the oblast as a whole. The data that was obtained speaks of the fact that there should be an increase in the gross production of grain, meat, milk and eggs. There will be a change in the products being sold in the direction of increasing high-value food grain—durum wheat, rye, and millet as well as sunflowers. The sale of meat and milk to the state will increase. Simply by increasing specialization of enterprises and by making the structure of sowing area and the herd more efficient, without altering prices and supplementary investments into the development of resource potential,



the profitability of agricultural production in the oblast will increase to 16 percent as compared to the 1.5 percent average for 1981-1986.

#### 4. The right to property for production.

This right was declared in theory, fixed in legal deeds and ignored in practice. Procurement volume was determined from above and extended to practically all of production. Strong enterprises settled accounts for weak ones. The plan of deliveries at any price did not leave room for cost accounting.

Today the law on cooperation has secured the right of kolkhozes to themselves determine the channels for selling their products on the basis of contracts with state procurement organizations, processing enterprises, consumer cooperatives or in free trade in kolkhoz markets. The wage fund also should not be residual in nature but should comprise an economically-based portion of cost-accounting income. It would be economically expedient to increase the proportion of wages in kind.

The self-financing fund in each rayon and oblast should be mandatory and not dependent on what is left over or what is produced above the plan. The practice of planning that has existed up until now has not provided the stimuli for expanding local production. Central organs reacted rapidly to the increased level of per capita consumption in individual regions by increasing the percentage of withdrawals from the achieved increase into centralized funds. This system of deep zonal differentiation of prices was retained, making inter-regional exchange of products difficult.

The lack of correspondence between the population's demand and its supply with goods is manifested especially acutely on the level of administrative rayons. Planning organs are leaning not on the calculation of the demand of the local population and on an analysis of sources for meeting this demand but proceed from an assumption about the possibility of completely satisfying demand by means of their own production. Local organs have practically no real influence on the development of local food funds. In addition, the previous orientation toward the creation of large processing enterprises primarily in cities complicates the increase of local initiative to manage commodity resources.

In our opinion, within the plan for the complex development of enterprises in the oblast (kray, ASSR) it is essential to single out the territorial cross-section in which the program for providing food to large city conglomerates, and on the level with them—to village regions, will be implemented. It is also essential to utilize local possibilities as much as possible and to develop state and especially cooperative enterprises for the production of a wide assortment of foods for the local

population. Local soviets should be given more extensive rights to establish the assortment and prices for food products produced locally and to organize inter-regional exchange of these products.

Solving the problem of coordinating the interests of the center and regions is being carried out through the extensive utilization of the system of economic norms. For this we need a more precise determination of the content of the categories "union fund" and "republic fund," as well as of the principles for their development. These funds should be used only to meet the need for food and agricultural raw materials in non-farming regions of the country, large industrial centers and special consumers, to replenish state insurance and reserve funds and for export operations. These funds must be developed via economic methods and by means of an active dialogue between the center and regions. Self-financing and inter-regional exchange must result in territorial cost accounting.

An important step on this path is the implementation of the principle of self-financing. It signifies the spread of cost-accounting relations not only for simple but also for expanded reproduction and presupposes the right of using cost-accounting income. As of now a system of economic and social guarantees of such economic independence has not been created. Higher-standing organs, using their right to establish norms, collect up to 80-90 percent of profits for their own use, which undermines self-financing. Thousands of departmental instructions, orders and commands continue to be in effect, discouraging enterprise. Non-equivalent price relations have developed for the products of capital-producing, agricultural and processing branches.

Two cost accounting models proposed in the law, "On the State Enterprise (Association)," do not contain basic changes in the financial mechanism of the enterprise and do not remove the basic contradictions that have accumulated here. The use of either of them is implemented with the permission of the higher-standing organ and both models do not eliminate the so-called regulatory financial management of enterprises on the part of central and branch economic organs. Thus, in accordance with the law, "On the State Enterprise (Association)," the collective can utilize various cost accounting models. The greatest difference between them involves the methods for creating a wage fund. However, the requirement of determining the share of the wage fund in the total volume of cost accounting income of the enterprise prior to final distribution erases the differences between the two models.

#### 5. Reorganization of the management structure.

Giving kolkhozes, sovkhoses and cooperative organizations full rights in independent production planning, in concluding contracts for the sale of their products, in the transition to cost-accounting and self-supporting financing, in the development of new integrated associations in

the form of combines, firms and scientific-production systems, in the development of various forms of brigade and family contracts and in leasing, and the expansion of the rights of territorial organs, especially local soviets, will radically alter the place and role of APK management organs. They must make a basic transition to cost accounting, seriously change the organizational structure and decrease their staffs.

In building the management subsystem it is essential to proceed from the interests of primary labor collectives. Each subsequent level is assigned only those functions which cannot be dealt with at the lower level or can be dealt with only inefficiently. With this kind of approach primary production links decide what kinds of management organs are needed, what their functions should be and what the staff and level of wages of workers should be. This is why the management hierarchy that has existed until now must be replaced. In principle, for organizational systems with all elements having equal rights, a tree-like structure and a hierarchy are impossible.

For example, as there is production integration, the RAPO [Rayon agro-industrial association] will be transformed from an administrative-management organ into a cost-accounting production association which will include the rayon's enterprises or it will give its place to agro-industrial combines and firms for which the conditions will exist. Management of these must be transferred to the rayon soviet of people's deputies.

The oblast agro-industrial committee, having transferred the functions of joint and future planning, distribution, accounts and control to departments of the oblast soviet, must become a service cost-accounting firm made up of systems for scientific coverage, for implementing comprehensive purposeful programs (reclamation, environmental protection and so on), for material-technical supply and for village building.

Union and republic agro-industrial committees must focus their attention on scientific development, on the implementation of comprehensive purposeful programs, and on material-technical supply, including the development of agricultural machine building.

Within the system of new democratic management an important place must be occupied by rayon and oblast soviets of kolkhozes and cooperative associations and by meetings of members of consumer societies.

General management of the economy of the rayon, oblast or republic is being transferred fully into the hands of local soviets, their socio-economic departments and planning and statistical organs.

In connection with the delimitation of the functions of party, soviet and economic organs it would be expedient for party committees to focus their attention on the development of comprehensive programs of socio-economic development within the corresponding administrative boundaries.

The democratization of all spheres of public life is a condition for the creation on a socialist basis of powerful incentives for economic and social progress built upon a harmonious coordination of an extensive spectrum of interests characterizing the individual, the collective, the settlement, the region and society in general. "...Interests," noted V. I. Lenin on more than one occasion, "move the lives of the people" (Complete Works, vol 29, p 82). "Everything for which man struggles is related to his interests," wrote K. Marx (Works, vol 1, p 72). Emphasizing the role of interests in the activities of people, K. Marx and F. Engels warned that any idea invariably disgraces itself as soon as it is separated from the true interests of the people.

The transition to managing the operations of social subjects at any level through the management of their interests signifies the transition to a qualitatively new type of management of social progress in socialist society.

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## REGIONAL DEVELOPMENT

### Peasant Farm Movement Progresses in Estonia

#### Estonian Peasant Farming

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No 5, May 89 pp 12-13

[Article by A. Voznesenskiy: "Land to the Peasants"]

[Text] At the end of January, the establishment of the Central Union of Working Peasants of Estonia was proclaimed at the farmers conference conducted at Payde. The first three state official documents were issued to Estonian farmers right here at the conference. These documents consolidate within them perpetual and free use of land for conducting independent farming. Thus, in one day, Estonian agrarian reform immediately took two major steps forward: first of all, legal consolidation of land for peasants and individuals was begun, and secondly, a parallel agrarian organization which represents farmers interests appeared in the republic.

The revival of farmsteads [khutors] in Estonia began a year ago with the adoption of a resolution on individual labor activities in agriculture by the CPE [Communist Party of Estonia] Central Committee and the republic Council of Ministers. At first those desiring to independently farm turned out to be fewer than anticipated. And this is natural since there were no guarantees from possible arbitrary rule of local authorities. Later, seeing

that this process was not meeting any particular resistance, statements with requests for allocation of land for forming farmsteads began to arrive at the rayon soviets of peoples deputies on a regular basis. By 1989, there were already more than 100 farmsteads in the republic and we can anticipate that their number will increase to 250-300 by the end of the year.

Obviously, we must also expect new legal acts both legally strengthening and protecting the farmstead in the socialist economic system and also guaranteeing society that the farmer will use the land allocated to him rationally and for its intended purpose. For the time being, the whole procedure for acquiring plots of land and forming farms on them is based on a resolution on individual labor activity in agriculture and on the Fundamental Land Legislation of the USSR and the union republics. This, of course, creates definite difficulties since both local authorities and farmers are constantly clashing with a multitude of departmental standard acts which contradict each other.

We literally cannot understand a sentence from the state act on rent-free land use. A farmer obtains it for free but throughout the whole term of use will pay a so-called agricultural tax. Under the conditions in Estonia, it totals 40 rubles per hectare. The farmer does not pay the tax (they are now preparing a new resolution in which this term is extended to five years) for the first two to three years because establishment of a farmstead requires significant material expenditures. It is true, as the chairman of the temporary initiative group reported to the conference, that financiers and certain lawyers are against this benefit for farmers.

According to expert calculations, land management, home and farm building construction, equipment acquisition, cattle, etc., costs approximately 125-150,000 rubles. A farmer can naturally obtain such a large sum for these purchases at a bank. At the same time, we are proposing to release him from repaying the loan for ten years and afterwards stretch out repayment over 25 years. Discussion of other loan benefits for farmers are ongoing. For example, we are proposing to write off a portion of the debt with a significant increase in the volume of agricultural output and also with the birth of each child.

As for perpetual use of land, it is really fixed for the farmer's lifetime and his heirs have priority for land use rights with subsequent completion of a formal state document. The only condition is that they must continue farming.

One of the most painful issues is: Where and how can a farmer purchase modern farm equipment? It was stated in many speeches at the conference that without equipment a farm will soothe nostalgia for the past, but it will not be able to make its contribution in solving the food problem. For the time being, the farmer purchases equipment (if, of course, there is any) at a significantly higher

price than kolkhozes or sovkhoses. It is true that, having sold his output at state purchase prices, he can purchase, for example, a tractor at an optimum price. However, the farmer does not like this method too much. Why? Probably because kolkhoz and sovkhos purchase prices, as a rule, do not cover actual costs. But the state gives them subsidies.

Farmers are placing high hopes on their Central Union for help in solving this and many other problems. This is, as written in its Charter, a political and economic organization whose tasks include coordinating its members activities, rendering assistance in production and social development of agriculture, and carrying out contacts with foreign agroindustrial unions. As a political organization, the Union intends to nominate its own candidates for peoples deputy, protect farmers interests at all levels of administrative and managerial control and, at the same time, ensure that farmstead development does not proceed counter to social interests.

Not only farmers can be union members. For example, it is even open to contract leaseholders. Incidentally, this form of farming, which is increasingly conquering other regions of the nation, has not become widespread in Estonia. Here it is viewed as a sort of transitional stage to farmsteads, that is, to great economic freedom both in the selection of the structure of production and in the sale of output. "Support organizations," for example, agricultural schools and institutes, agricultural equipment and land reclamation enterprises, etc., can also join the union with deliberative voting rights.

The union's working body, the council of commissioners, consists of 49 men. Besides farmers, representatives of Gosplan [State Committee for Planning], Gosagroprom [State Agroindustry] and Agroprombank [Agroindustrial Bank] of Estonia, scholars, and journalists who can render real assistance to the development of the farm movement at this stage have become members. The farmers elected Aldo Tamma, director of the ESSR [Estonian SSR] Gosagroprom training combine, chairman of the council and its presidium.

I think that the composition of the Council proves the inaccuracy of the popular assertion that farmers consider themselves to be a group which is isolated from society. Obviously, we also should not fear that all Estonian kolkhozes and sovkhoses will disintegrate into farmsteads in the end and small-scale commodity production will reign in the republic. It was unambiguously stated at the conference that major farms were and remain the primary food suppliers. But at the same time, any other forms also have a right to life if they are effective and economically profitable. And all the more so in other regions.

Thus, Estonia has once again turned out to be on the cutting edge of agrarian changes. Really, RAPO's [Rayon Agroindustrial Organizations] came from here and one of the first agroprom's [agroindustries] was formed here.

And, having created the Central Union of Working Peasants, Estonia has once again been the first to cross the intermediate finish line in the competition of ideas. Why intermediate? Coordination of farmers' activities does not signify automatic coordination of the activities of all of the partners throughout the republic's APK [Agroindustrial Complex] or the whole nation's for that matter. Therefore, it is entirely possible that we will soon become witnesses to the creation of kolkhoz and sovkhoz unions, unions for sectors (such as, for example, the union of meat products producers and processors, etc.) And furthermore, the Agroindustrial Union of Estonia. And if people in other republics and regions of the nation will move in this direction (naturally, taking into account their natural climactic, economic, and national peculiarities), then... But we will not outstrip events, since only the first step toward a multi-layered socialist agricultural economy has been taken.

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#### **Type of Farmer Needed**

18240179 Moscow IZVESTIYA in Russian  
23 Apr 89 Morning Edition, p 1

[Article by L. Rannamets, TASS correspondent, Tallinn: "What Kind of Farmer Do We Need?"]

[Text] The first hundreds of abandoned farmsteads in Estonia have found a second life. Their farmers obtained state official documents for perpetual use of the land.

The question has been sharply raised: Which path should farmsteads move along under current conditions?

"Only along the path of rational specialization," said Yuri Eybak, a confident farmer from the village of Laupa in Payde Rayon.

"I decided to rely on raising breeding cattle and on milk production."

Yuri Eybak intends to bring the number of milk cows to ten and sell breeding bulls to his neighbors. He will raise coarse and succulent fodder himself: He will sow his fields with grasses, fodder barley, oats, and fodder beets. If he now sells approximately 5 tons of milk to the state through the sovkhoz [state farm], he hopes to raise it to 50 tons in two years.

If the state sector increased meat production by a total of 100 tons last year, then the individual [sector increased it by] 1,600 tons. Experts think that thanks to managers of farmsteads, associations, and cooperatives, milk and meat production will grow at even higher rates in the private sector.

"The farmstead raising horned cattle must be the main link in developing the dairy husbandry," asserts Vello Lind, first deputy chairman of Gosagroprom [State

Agroindustry] and Minister of the Estonian SSR. "The best portion of the milk herd must in the future be on farmsteads where each cow produces 5-6,000 kilograms of milk per year. Calculations show that a farmstead with 80-100 hectares of agricultural land can feed 40-45 cows.

The minister thinks that we must support establishment of such farmsteads in every way possible and he convincingly says that "Estonian agriculture would attain a new level if we have 5,000 farmsteads raising horned cattle in the year 2000."

Wishes alone are little. Farmers are faced with acute issues of supplying farms with the necessary modern equipment. There is not enough milking and refrigeration equipment. In order to increase the intensity and culture of dairy husbandry, we need to acquire and use computers in breeding work and in planning the use of feed. Dairy farms will not achieve qualitatively new and higher results in comparison with major farms without a modern technical base.

Both the farm manager and the republic minister agree on one thing: The modern family farm must be oriented to production of a definite and most profitable product given natural conditions. And not just in any way, but on the basis of the latest word in modern science and equipment.

#### **Family Farms**

18240179 Moscow SELSKAYA ZHIZN in Russian  
4 May 89 p 1

[Article by S. Kuznetsov, Tallinn: "On Family Farms"]

[Text] More than 300 family farms have now been created in the republic. Last year, 33.8 million rubles worth of livestock products were produced on this farms and the annual earnings per worker reached 61,400 rubles and was 60 percent higher than the republic average indicator.

[Passage omitted]

### **MAJOR CROP PROGRESS, WEATHER REPORTS**

#### **Weather, Crops in Uzbekistan Reported**

##### **Late May Weather**

18240192 Tashkent SELSKAYA PRAVDA in Russian  
24 May 89 p 2

[Report by agrometeorologist N. Alesko: "Weather and Crops"]

[Excerpt] The unstable character of the weather, with air temperature variations and downpours, was not very favorable for cotton plant growth and development. The torrential rains caused the formation of soil cracks, depressing plant growth, and in places preventing the

appearance of shoots. In the period of 14 through 20 May, shoots appeared 1 week later than usual in the crops of the first 10-day period of May. On these surviving shoots of the April crop, the first leaves unfurled in this period (1.5-2.5 weeks later than the long-range average); in the southern oblasts, the third leaves unfurled (1 week later than usual). Additional sowings were conducted as the result of thinning of the April crops.

The formation of the second harvest was observed in alfalfa fields; in the extreme southern rayons of the republic, budding has begun, on dates close to the norm.

Fruit growth continued in fruit cultures; ripening has begun in early-maturing strains of apricots. The growth of leaf mass continued in the mulberry. Branches were pruned for feeding silkworms. Grapes in the south of the republic continue to bloom; they began to bloom in the central and eastern oblasts 6 days later than usual. Grape inflorescence growth is under way in the north.

Ear formation has begun on the primary sowings of winter crops; in various rayons of the central and southern oblasts flowering has begun. Tillering has ended among the spring spikes, and they continue to pipe; a lower knotting of the stalks has been observed in the early plantings. Flowering has begun in winter cereals on irrigated lands, and milky ripeness began in early plantings, with waxy ripeness in southern locations.

The 7th to 9th leaf phase has been observed in corn, with the 3rd to 5th leaf phase seen in late plantings.

A massive burning and desiccation of ephemerals occurred over a great part of grazing territory; it began at the end of the 10-day period in the northern areas of Kyzylkum, 1 week later than usual. Strong wind complicated the pasturing of livestock for 1 to 4 days.

[passage omitted]

#### Early June Weather

18240192 Tashkent SELSKAYA PRAVDA in Russian 6 Jun 89 p 3

[Report by agrometeorologist I. Umnova: "Weather and Crops"]

[Excerpt] Cool weather was noted in the first half of the 10-day period in the republic, with air temperatures 1-2 degrees lower than normal; an increase in temperature occurred starting 26 May in the majority of the oblasts; the warm weather (2-4 degrees higher than normal) lasted until the end of the 10-day period.

The increase in the thermal background in the last 5-day period of May improved the heat supply to the crops, but prolonged unstable weather in the spring period was unfavorable for the growth and development of the cotton plant, and was responsible for a lack of uniformity

and variegation of the crops, and a lag in the pace of development. In places, crops were damaged by disease and pests. In the first half of the 10-day period, the first leaf unfurled with a lag of 1 week in the re-sown areas; toward the end of the 10-day period, the development of the third leaf began 1.5-2 weeks later than the long-range average. In Kashkadarya, Surkhandarya, and Bukhara Oblasts and the Fergana Valley, the development of the fifth leaf was noted in the April plantings during the period between 22 and 31 May; in individual early preserved April plantings of Surkhandarya Oblast, budding occurred 1 to 1.5 weeks later than usual. The 31 May height of the cotton plant in the majority of oblasts was 6 to 8 centimeters, in the Surkhandarya Oblast, 11, in the Kara-Kalpak ASSR [Autonomous Soviet Socialist Republic] and Samarkand Oblast, 4 to 5 centimeters, which is 2 to 4 centimeters lower than long-range average heights.

The formation of the second harvest continued in alfalfa fields; in the central and eastern oblasts, the formation of inflorescence began (1 week earlier than usual); in southernmost rayons, there was flowering; in the republic's north, stolons were formed.

The ripening of cherries and early-maturing strains of apricots continued in orchards; sour cherries began to ripen. Flowering ended in vineyards in the majority of oblasts; it began in the northern oblasts.

The blossoming of the first tomato flowers was noted in vegetable plantations, technical cabbage ripeness was noted; cucumbers budded, and in some locations, flowered.

Ear formation continued in the basic plantings of winter cereal crops; milky ripeness was noted in places, with waxy ripeness on irrigated lands.

In a great portion of the territory, pasturing livestock was implemented in moderately reduced grazing land, and in places, in a semi-desert zone, in greatly reduced pasture land.

[passage omitted]

#### Start-Up of Grain Harvesting

18240192 Tashkent SELSKAYA PRAVDA in Russian 25 May 89 p 2

[Article by Uzbek Telegraph Agency correspondent Ye. Velichanskaya: "Grain Harvesting Has Begun"]

[Excerpt] The farmers of the southernmost oblast of Uzbekistan, Surkhandarya Oblast, have embarked on the selective harvesting of winter barley. [passage omitted]

The sudden cooling in the beginning of May retarded grain ripening; this is why the harvest began 1.5 weeks later than it did last year. Taking this into consideration,



the machine operators are attempting to reap in the shortest possible period. The editorial board requested that specialists of the republic State Agroindustrial Committee comment on this report. This is what they said about the state of grain crops in Uzbekistan on the whole:

An extremely unfavorable situation in the branch has been developing. The plants are almost 1 month behind in their development. The most recent cool spell only exacerbated the situation. The main misfortunes began back in autumn, when the winter sowing was under way.

The end of last year proved to be unusually dry, and thus the shoots on the unirrigated lands, where the greater

share of the winter crops were located, came late, only in the end of December and even January.

As a result, plants are underdeveloped in all locations. They are, at best, up to 40 centimeters high in most fields, the normal height being 60 to 70 centimeters. Sections may even be encountered where the heads are less than 20 centimeters. It so happens that the plants are already "old"; the formation of heads has been completed, but they still have not grown.

It is understandable that under these conditions fulfilling the grain procurement plan is out of the question, as the losses are too great. Therefore, it is necessary to at least harvest in full the accumulated crop.

## POLICY, ORGANIZATION

### Restructuring Problems in Cement Plant Recounted

18210017 Leningrad TSEMENT in Russian  
No 5, May 89 pp 2-3

[Article by I. A. Khodykin, director of the Korkino Cement Plant and delegate to the 19th All-Union Party Conference: "Problems of Introducing Economic Accountability"]

[Text] On 1 January 1988 the Korkino Cement Plant converted to full economic accountability and self-financing; preparation for the work had been under way since January 1987. During this period standardized accounting for production expenditures was introduced, the enterprise converted to work under the collective contract, and the administration analyzed the state of affairs in internal economic accountability.

"Economic accountability" is not a new concept for our plant. The principles, based upon the financial responsibility of structural subunits for the results of economic activity, have been used in all the basic departments.

During preparation for operation under the new terms, our enterprise developed and, on 1 January 1988, introduced a "Regulation on Intraplant Economic Accountability and on Full Economic Accountability," and the plant's main and auxiliary departments were converted. A system of indicators—the production of output in physical units, NChP [standard net output], volume of services in norm-hours, brand-name production, the quality index, labor productivity, the standard for forming the wage fund in accordance with final results, prime production cost of output, and the plan for measures for introducing new technology and for improving production organization, including the economic benefit—for planning and evaluating operating efficiency has been established for all departments

Industrial-production personnel manning and the standard ratio between growth of average wage and labor productivity; norms for the consumption of raw and other materials and fuel and power; and indicators for production capacity utilization have been established as rating indicators for all departments.

Plan indicators were developed for departments for the year, the quarter and the month. Monthly and quarterly plans are issued to the collectives 5 days before the start of the planning month or quarter, annual plans are issued 15 days after the control figures and state orders have been received.

Production relationships between economically self-sufficient departments are governed by a system of mutual claims. Special attention is paid to fulfillment of the plan

for shipments and quality of output, so a system of economic-accountability penalties for nonfulfillment of the plan and for quality deterioration has been specified.

Economic responsibility is realized by increasing the prime cost of the output by the total of the claims presented for derelictions in the activity that entail interruption in the work of a cooperating department. The procedures for formally documenting claims, the deadlines for presenting them, the terms for resolving disputes that arise over claims, and methods for calculating the harm done have been worked out in detail.

A financial incentive is realized under economic accountability for the forming and use of the wage fund in accordance with the final results of the plant's operation and the Regulations for Awarding Bonuses to Blue-Collar and White-Collar Workers, Supervisors and Specialists that have been developed.

Brigade accountability is a component part of intraplant economic accountability. Seventy-eight brigades, or more than 80 percent of the industrial-production personnel, are operating with the use of economic accountability elements.

Production plans for the year, quarter and month, developed on the basis of progressive norms for production-capacity utilization and labor and material resources are approved for each economically accountable brigade. Norms are given to the brigades only for those types of material and power-engineering resources whose consumption depends directly upon the given collective.

Substantial difficulties in introducing brigade economic accountability have been caused by the absence of an authentic accounting for the main types of expenditures that would enable the contribution of each collective to the overall results of the operation to be evaluated objectively and the monitoring of its activity to be implemented.

At present the actual consumption of gypsum, granulated slag, fuel, clinker and slurry is recorded in accordance with laboratory data. The consumption of other materials, including raw materials, and power-engineering resources practically cannot be determined because the departments have not been provided with recording instruments.

Problems of recording are pressing not only for regulating economic-accountability relationships. The plant suffers losses because of the poor technical status and organizational level of the weighing, monitoring and measuring activity and of accounting for the plant's material resources. Because of an absence alone of the required number of scales for receiving raw and other materials and of measuring instruments for steam, air and water supply, tens of thousands of rubles are being lost.

The harm caused the enterprise by imperfect accounting for the consumption of resources in the brigades cannot be calculated, since savings in a department are determined in accordance with the results of departmental prime production costs, and the overall total is considered, while the contribution of each brigade to the overall result is calculated in proportion to the amount of production fulfilled, in accordance with the economically accountable prime production cost.

With the third quarter of 1987, the plant converted to the collective contract. As for any new matter, preparatory work preceded it. It consisted in calculations of standards for the wage and the development of a plant Regulation on Use of the Collective Contract, and, the main thing, of explanatory measures. The purposes and tasks of the new way of organizing work were explained to each worker at worker meetings and during studies in economic education.

Work under the terms of the collective contract enables labor productivity to be raised and the responsibility of each member of the brigade for the overall results of brigade, department and plant activity to be strengthened.

As a result of this, labor productivity during 1988 rose by 5.4 percent under the new terms and personnel manning was cut by 39 persons.

For the main summarizing indicator—profit, 936,000 rubles were obtained above the plan and, accordingly, an additional 656,000 rubles was deducted into the economic stimulation fund, an augmentation to the budget in the amount of 168,000 rubles was obtained, and 59,000 rubles were set aside for USSR Minstroyaterialov [Ministry of Construction Materials Industry].

Only 21.8 percent was transferred into the economic stimulation fund from profit. These funds are not adequate, of course, for self-financing.

In order to support reequipping and social development, the appropriate fund had to be increased by 1.460 million rubles. Today this problem has been solved—a credit for this amount has been formalized under a

ministry guarantee, with payment of 4 percent per annum. But right now we are short 250,000 rubles for housing construction and 50,000 rubles for expanding the recreation base.

The labor collective's council decided to allocate part of the resources of the material incentives fund for construction of the recreation center and to finance the erection of housing through above-plan deductions into the social-development fund.

In order to live well and to have means, one must know how to work and to count money. I would like to tell about the difficulties that were encountered in operating under the new conditions and practically still have not overcome yet. It is good that in the third quarter of 1988 we did not have above-standard reserves of commodity stocks, and the enterprise is not paying additionally into the budget for funds and labor resources. But things are not going so well with penalties: we are paying on the level of last year but we are getting much less. Basically, claims are made against us for idle freight-car time and underfulfillment of the shipping plan, even over the railroads of destination. It is true, the final result is positive: it is 57,000 rubles.

The necessity for reequipping the plant is urgent, and social-development matters are severe.

The first steps in solving the problems posed by economic accountability have already been taken both in production construction and in social construction. But the lack of real independence and real self-financing is still restraining our initiative. The standard profit—21.8 kopecks from 1 ruble—which remains at the enterprise's disposal is extremely inadequate. Moreover, even the state order, which in 1988 was 100 percent of the production program, does not help to develop initiative.

But, nevertheless, all Korkino Cement Plant workers are confident that the work experience that has already been gained under the new conditions, the labor and technological discipline, and the management's persistence in solving urgent problems will enable them to meet the planned goals of the five-year plan and the program for the collective's social development.

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## POLICY, ORGANIZATION

### Continued Price Controls Justified

18200371 Moscow TRUD in Russian 21 May 89 pp 1, 2

[Article by V. Pavlov, chairman of the USSR State Committee on Prices: "Prices Will Be Controlled Everywhere: Response of the Chairman of the USSR State Committee on Prices to the Query of Deputy Yu. Donchenko, Construction Brigade Leader and People's Deputy of the USSR (TRUD, 11 May 89)]

[Text] One of the most acute subjects of concern to the entire population of our country today on the eve of Congress of People's Deputies is that of the standard of living, prices, and the shortage of goods. The situation here has indeed become more tense. In this connection, the deputy's query from Yu. Donchenko, leader of the complex brigade of the trust "Konstantinovpromstroy," with respect to the problem of the increase in prices was quite properly published in TRUD on 11 May.

This question is very complex. To make it clearer, I would compare prices with the tip of an iceberg. They merely reflect the complex deep-seated processes taking place in the economy. And this visible "above-water" tip does not exist all by itself but is an integral part of the entire economic system. More than that, it is completely conditioned by it. When a clock is fast or slow, the problem is not the hands but the clockwork itself. This, of course, is not a very precise comparison but the relationship between prices and the state of the economy becomes clearer.

Much has been written about the fact that the economic reform is proceeding with difficulty, at times inconsistently and full of contradictions. Yes, the economic mechanism has not yet been fine-tuned. The drive belts and gear wheels frequently operate at odds with each other and produce serious deformations, distortions, and breakdowns of the work. What do I mean? I mean the overloaded structure of the economy with an excessive share on industry in group "A," the gap between the physical and cost structures, the inefficiency of the management mechanism, and the fact that wage funds are poorly coordinated with real produced output in physical terms. Wages are leaving everything behind. The emission of money is continuing. Today about 100 billion rubles are not covered by commodities. There is a huge budget deficit. In short, there is a lack of balance in the economy and in the monetary circulation, monopoly on the part of producers....

What does all this mean as applied to prices? The answer is clear: when there is much more money than goods, prices rise. This is axiomatic, an economic law. It is one of the main and most fundamental reasons for an increase in prices. And the task cannot be resolved without eliminating them through administrative or economic measures.

What should be done in this situation? There are different opinions. One of them is the following: once we reject administrative methods of managing the economy, we will have to get used to the fact that prices will be set by supply and demand. I have frequently presented categorical objections to this. Today, in my view, in no event can we shift to uncontrolled market prices. It is impossible to organize a market economy immediately. This requires serious and lengthy preparation. But under the current conditions of the dictates and monopoly of producers, the severe shortage, inflation and the huge sum of money not covered by commodities, the "free play of prices" will lead to an unthinkable rise in these prices.

For this reason, in our opinion, a different path must be taken. In the period of transition, it is necessary to approach the goal of mastering the market from two sides: restructure the economy and fine-tune the economic mechanism and combine this work with compulsory, although forced, measures of a noneconomic nature, which would make it possible to restrain the growing wave of inflation. At the same time, of course, it is necessary to increase sharply the production of goods, to restructure investment and monetary policy, to normalize the economy and to improve the tax mechanism, which is already being done. Because otherwise the administrative limitation of the increase in prices will merely mean that there will be no goods at all in the stores and that their sale will be replaced by a distribution system, which we are already seeing to some extent (try to buy a "Zhiguli" automobile, sugar, etc. in a store without a list or coupon). Here, by the way, there is also a need for a system and strict order.

Noneconomic measures cannot, of course, be viewed as a normal and permanent instrument. But objectively they are necessary at least until the time when the positive effect of the economic measures begins to be felt. It can even be said that the basic task in their application is not to allow a situation in which the economic measures can no longer restrain inflation and ensure normal exchange and monetary turnover.

I understand that this thesis evokes especially sharp criticism from those who favor a "market economy" and fight for "free prices" and see their absence as the reason for the slipping of the economic reform. But I would remind such economists that, for example, 20 million people here have an average income of 60 rubles a month. And about 2 million people receive a pension of 30 rubles. They are now living below the poverty line and the state must help them. But what will happen to these people under the conditions of a multiplying of prices?

In general, the State Committee on Prices has been getting frequent criticism of late. We make mistakes too, of course. There is no disputing that. I remember how I and representatives of the USSR Ministry of Grain Products sampled some new varieties of bread. It truly was very good bread. And we agreed that, in addition to

existing varieties, they should issue new ones at new prices. But today we must acknowledge that at the time we were not able to foresee that in the baking industry this in many instances can lead simply to an increase in prices because of the backwardness of the industry's technical state. The prices will be new but the quality of the bread remains the same. It was precisely such complaints that were received from consumers....

One can present other examples as well. But frequently the criticism of the USSR State Committee on Prices is not well founded and is even misdirected. They criticize us, for example, for the increase in average prices and for the contract prices on new goods. But by law the structure of the production of commodities is determined by the enterprise itself under a contract with trade. The state (prior to the reform of price setting) acts only through state orders and subsidies. As for contract prices, from the very beginning the USSR State Committee on Prices was in favor of granting such a right to enterprises only with standard limitations. And I am now profoundly convinced that **in the transition period the contract price must be limited by some framework (by the maximum level of profitability, let us say). In this respect, it would probably be worthwhile to think about addenda and refinements to the Law on the State Enterprise and a number of other enforceable enactments.**

Although some limitations are quite vague, to be sure, they do exist. The law states that the contract prices must without fail correspond to higher qualitative and consumer's characteristics of products. Unfortunately, however, the offices for trade and standardization, ministries and departments whose enterprises produce such commodities, councils of ministers of union and autonomous republics, and ispolkoms of local soviets of people's deputies are in no hurry to monitor this compliance or to examine commodity samples. The price-setting offices cannot take the place of their specialists. And besides that, previously our small staff did not allow us to deal extensively with these checks.

I hope that to some degree what has been said explains the situation and shows that very often an increase in prices and a "washing out" of cheap goods does not take place at the will, as they write, of the "bureaucrats" of the USSR State Committee on Prices but frequently, on the contrary, despite their efforts. Where state price discipline is being violated directly, of course, our committee takes sanctions, confiscates illegally obtained profit and demands the repeal of improperly set prices. By the way, overall confiscations amount to hundreds of millions of rubles annually. Not a small sum, it seems. But we think that this is a drop in the bucket.

If we seriously want to stop the uncontrolled rise in prices with the help of still primarily noneconomic measures, then for this purpose it is necessary to take stricter measures. In my view, what is needed is a more precise mechanism of responsibility for the unjustified raising of prices, the "washing out" of cheap goods, etc.

This also includes the responsibility of the managers of enterprises, organizations, ministries and departments that make such decisions. They must feel the sanctions more tangibly. Today illegally obtained profit is taken away from an enterprise but this, as a rule, is in no way reflected in the salaries of the director, his economic deputy and other workers in management. Thus, in practice sanctions do not turn out to be a very effective means. This situation should be changed.

And more than that. At many enterprises, they for some reason perceive independence as a situation in which anything goes. They are already considering even the state order as something that does not have to be fulfilled. Here is a spectacular example. For the current year, industry did not accept from the state order the production of 100,000 sewing machines, more than 150,000 vacuum cleaners, more than 300,000 washing machines, 50,000 refrigerators.... If industry continues to act this way in the future, it will be difficult to respond conclusively to the question of Deputy Yu. Donchenko as to when inexpensive goods will appear along with expensive ones. As we see, there is a shortage of all of them. The existing management mechanisms do not yet fully allow the proper influence on enterprises so that they can increase production volumes, including for inexpensive goods. This does not always work even for Gosplan. There are no such means of control. But it seems that one must have them. Provision ought to be made for the precise and specific administrative responsibility of industrial workers for the nonperformance of the state order, the unjustified raising of prices, the removal of inexpensive goods from production, etc.

I do not want, however, to give the impression that the USSR State Committee on Prices is citing general reasons only. I named the most important factors influencing the increase in prices. For it is necessary to cure the economy as a whole. We, in turn, are doing everything that is foreseen by the decisions already made (and there are many of them). We will increase our efforts and do everything possible to put the price situation under strict control.

In the very near future, the USSR State Committee on Prices will send methodological instructions to interested organizations on price-setting questions for the output (goods) and services of cooperatives. These instructions worked out on the basis of the decree of the Government of the USSR on 5 January 1989 are aimed at preventing the possibility of raising cooperative prices and at establishing the economic preconditions for bringing them closer to state prices and rates.

**The participation of broad sections of the public in the monitoring of prices is becoming especially important. Here it is important to achieve more efficiency through the extension of glasnost and openness.**



The USSR State Committee on Prices along with other organizations is now working on the establishment of a single state system in the country for monitoring the observance of price discipline. This system will include state, cooperative and public bodies. Until today there were only about 300 controllers in the price-setting offices. This is for the entire country and all commodities. Could they observe the broad palette of prices, of which there are about 25 million? The number of controllers will now be increased. The calculation is that there must be 1 official controller from the price-setting offices for every 50,000 people in the population. But they alone, of course, cannot handle the task. It is precisely for this reason that **worker and popular control are being widely used in the work. This is done so that the control of prices will become ubiquitous. It is planned to complete a national system in the current year.**

But we have already begun a series of large-scale mass checks of the observance of state price discipline. They are being carried out together with the offices of people's control and the AUCCTU in almost all regions of the country, including on the basis of pointers from citizens.

The first results show the seriousness of the situation. Many enterprises are clearly manifesting group selfishness and a striving to receive unearned income by raising prices. In the process, they somehow forget that upon leaving the gates of the plant the workers themselves become consumers. And if all enterprises try to raise the prices for their output, then this, of course, will have an effect on the standard of living of the entire population.

Unfortunately, workers in trade are also interested in high prices—more turnover and higher income. Hence the high contractual and temporary retail prices for consumer goods and the removal of inexpensive products in high demand from production. The result is the development of inflationary processes.

In the course of a check carried out in a number of enterprises of the RSFSR Ministry of the Textile Industry, it was revealed to what kind of useless methods producers are resorting to increase profit.

The Moscow Silk Combine "Krasnaya Roza" sold crepe de Chine fabric at a contract price of 12 rubles 50 kopecks a meter. Although formerly this fabric in this form was sold at a stable retail price of 10 and a half rubles. For last year and the first quarter of the current year, illegally obtained profit and a fine totaling 178,000 rubles were confiscated from the combine for the budget.

For these reasons, the USSR State Committee on Prices confiscated more than a million rubles for the state budget from the Moscow Silk Combine imeni Sverdlov and more than 6 million from the Moscow Silk Combine imeni Shcherbakov.... There are many similar examples.

Or the so-called especially fashionable products. The "Tysmenitsa" Fur Association in Ivano-Frankovsk Oblast sold men's caps made from muskrat with ear flaps at a contract price of 257 rubles apiece as especially fashionable goods. A check revealed that the output of this association not only does not meet the requirements put on especially fashionable products but even externally is not similar to the approved standard model. This same association and the Ivano-Frankovsk trade firm "Odezhda" sold a children's overcoat made of lambskin for 95 rubles, which is more than twice the level of the effective retail prices for such children's imported and domestic coats.

We emphasize that all of these violations are taking place with the agreement and support of trade organizations.

Gross violations of price discipline were also revealed in the system of state and cooperative trade.

Utilizing the democratization of foreign economy activities as well as the rights granted to establish retail prices for new imported goods purchased through commodity exchange operations and border trade, several trade organizations are simply getting rich by raising prices. This, in particular, also relates to the organizations of the Belorussian SSR Ministry of Trade and Belkoopsoyus. It is as if there is a contest to see who can raise prices more. For example, the management of the Brest Oblast Consumers' Union affirmed in December of last year the retail price for "Konsul" toothpaste, purchased in Poland, at 1 ruble 50 kopecks, although previously the trade management of the Brest Oblispolkom set a retail price of 1 ruble 20 kopecks for this toothpaste, also purchased in Poland. But state retail prices for analogous kinds of toothpaste purchased in socialist countries do not exceed 75 kopecks for the same size tube.

Taking into account the fact that such facts were also revealed in other regions of the country, the USSR State Committee on Prices was forced to examine the question of depriving enterprises and organizations of state and cooperative trade of the right to set retail prices for new consumer goods purchased in commodity exchange operations and border trade.

One would like to hope that the appropriate ministries and departments as well as party and Soviet bodies will not neglect violations of state price discipline, which essentially infringe on the pocketbook of consumers. And, of course, that they will inform readers of the measures taken.

With the formation of a single national system for price control and the expansion of the participation of trade collectives, public organizations and the population in this work as well as a significant improvement of departmental control, which ministries have now essentially left alone, there will be an increase in the effectiveness

and efficiency of control work. The extensive participation of the public will guarantee the inevitable punishment of violators and that the unjustified raising of prices by enterprises will not go unnoticed. Thus, in response to the query of Deputy Yu. Donchenko, I will say that as early as the current year definite results will be achieved in the curbing of uncontrolled price increases.

And finally, on statistics. That is, on the movement of prices, the standard of living and other indicators characterizing the social position of the population. I am in favor of the publication of this information as soon as possible. But I must note that the statistical data bank now in existence cannot be considered satisfactory. Essentially only two indicators can be utilized—the index of state retail prices (they still call it the index of list prices) and the index of actual mean state retail prices. Neither reflects the real picture. Here is an example: the average price did not change but the quality of products worsened. That is, the price has actually been raised but the indicator does not reflect this....

In recent years, the statistics of prices has not only not become broader and more available but has even become narrower. I want to believe that these are temporary costs in the restructuring of the work of the statistical offices and that in the near future the situation in this area will be improved fundamentally. The USSR State Committee on Prices has to undertake vigorous and decisive measures here. Especially since today methods have already been drafted for the calculation of the real change in prices for consumer goods.

**From the editor's office.** Considering the importance of the problem, we appeal to our readers with the suggestion: notify the editor's office of price increases. On the basis of these signals, worker control and the price-setting offices will perform checks.

## FOOD PROCESSING, DISTRIBUTION

### Foreign Trade Underdevelopment Affects Food Supplies

18250183 Moscow SELSKAYA ZHIZN in Russian  
17 Jun 89 p 5

[Article by Aleksandr Ivashchenko, candidate in economic sciences: "We and the World Market; An Agrarian Panorama"]

[Text] In recent times, many reasons have been named which have led to the difficult food situation in our country. Some authors believe that foreign trade has a negative impact—both export, which "reduces the resources on the domestic market," and import, which "reduces the interests in increasing our own production."

Having found myself recently in France—one of the world's largest food exporters, I decided to see how foreign trade affects the food supply there. Here is a

specialty store selling cheeses on the Paris Rue d'Amsterdam. It sells almost 160 varieties of French cheeses, and here too are around 30 brands of imported cheeses (Swiss, Italian, English, Dutch, Belgian). At the markets there is a huge selection of vegetables and fruits, and not only those which are locally produced, but also from Africa, Latin America, Asia, the USA, and Holland. The selection includes bananas, citrus fruit, strawberries, kiwi, avocados, and early tomatoes—and all at rather low prices. In the "supermarkets" one can find food products from most countries of the world, including also the socialist countries.

After the picturesque abundance in the stores and markets, it is no less interesting to acquaint ourselves also with the dry, but rather expressive, data on France's foreign trade in food products, obtained from the Ministry of Agriculture. Since 1978 the country has never purchased more products than it has exported, and last year its export reached 163 billion francs, and exceeded imports by a record amount—41.6 billion. Processed goods accounted for over 61 percent of the exports and 64 percent of the imports, and the rest was comprised of raw goods. Grain, wines and alcoholic beverages, meat and livestock, dairy products, butter, fruits and vegetables accounted primarily for the exported goods. Primary among the imported goods were meat and vegetables, fish, fodder, and dairy products. But here is the curious fact: As the figures show, France exports and imports food products of practically the same commodity groups. However, this is not an economic absurdity, but a means of rational participation in international division of labor and effective utilization of the produced resources for the purpose of saturating the domestic market with different varieties of goods.

A similar picture may be observed in all of the developed countries. Thus, the USA is the largest food supplier to the world market (\$32 billion in 1988), and at the same time also buys \$19 billion worth of food products. Even Japan, which is forced to buy more food than any other country in the world due to its extremely limited land area, exports over \$1 billion worth of food products. Many of the socialist countries of Europe and the PRC also actively use foreign trade for replenishing their food resources as well as for increasing export supplies.

Thus, in itself, a large food import or export, considering world experience, cannot to be considered to be some kind of negative phenomenon. In evaluating foreign trade in food products, we must take a weighted approach, not to rush to extremities, to consider its structure, the coverage of import by export, and the economic effectiveness of the operations.

What is the situation in the Soviet Union in this regard?

The fluctuation of the country's foreign trade in food products is entirely determined by imports, while exports have been frozen at the level of the early 70's—around 1 billion rubles worth. Moreover, it consists to a

significant degree of re-export—purchases made in one country for delivery to another. From the early 70's to the mid-80's, imports have increased due to centralized state purchases to cover actual needs as well as to cover shortcomings in the amount and quality of goods produced by the departments responsible for product manufacture. The import of a number of important goods such as grain, sugar, and butter reached a very high percentage of the volume of state purchases, which reflect the supply situation more precisely than the production figures. As a result, even moderate fluctuations in purchases are immediately reflected on the store shelves. When imports are reduced, there are interruptions in supply, and vice versa.

Thanks to the reduction of world prices on food products and the measures taken to reduce purchases abroad, food imports have declined from 15 billion rubles worth in the mid-80's to 9 billion in 1987. However, last year under the influence of strengthening market conditions and increased purchases of a number of goods, there was once again an increase in import and in the deficit.

A great imbalance in trade and a totally undeveloped export system is one of the primary problems not only of foreign trade, but also of the country's food provision as a whole. Due to the trade imbalance, it is difficult to expect an expansion of imports of such products as coffee, citrus fruits, early fruits and vegetables, and many others into our country. The main reason for this state of affairs may be seen in that the immediate producer is not interested either in reducing import, or in developing export.

Yet already at the present time there are favorable possibilities in the USSR for specializing in the production of certain export goods. For example, sunflower seed oil is one of the most expensive on the world market. The Soviet Union could easily allocate rather notable amounts of this product for export purposes, and for the currency obtained it could buy cheaper types of oils which may be used for processed margarine and for other purposes, including non-food applications for which sunflower seed oil is currently expended.

To obtain currency, we may also utilize the seasonal character of operation of many of the food industry enterprises, loading them in the off season with imported raw materials for subsequent export. Thus, often refined sugar costs considerably more on the world market than raw sugar. Under these conditions, it is expedient to obtain above-plan raw sugar on the "free" market, and at the same time to sell refined sugar, specifying more remote delivery times. The raw sugar could then be brought into the country, refined, and the refined sugar then exported. The currency influx, according to computations, would not only cover all the ruble expenditures, but would also bring in a sizeable profit.

In regard to a number of goods produced in the country, but also imported, we could, as we have already proposed, buy above-plan foodstuffs as part of the import plan with partial currency mark-ups. This would ensure not only a reduction in the expenditures for import, but also a greater savings on transport expenditures. However, in a large number of cases, direct export is more economically expedient than import replacement.

The available reserve for developing assortment trade is practically not being utilized. This is primarily due to the lack of correspondence of the interests of the exporters-producers and the interests of the importer-departments, as well as lack of flexibility, interdepartmental dissociation, and a narrow departmental approach. For example, many socialist countries, in order to replenish their meat resources, opt for the export of more expensive varieties of meat and the quality portions of carcasses and prime cuts, which are valued higher on the world market. Thus, hind quarters cost 2-3 times more than front quarters. Beef is almost twice as expensive as mutton and poultry, and 1.7 times more expensive than pork. Then they use the funds which have been obtained [from these sales] to buy cheaper varieties of meat and cuts. The tangible difference in prices allows them to increase the supply of meat offered on the domestic market, as well as to replenish the budget. Evidently, for the USSR, under conditions of a meat shortage, such a practice might also be advisable.

We can give examples also for other types of goods such as vegetable oils, fodder grain, groats, and cocoa. However, for this it is necessary to increase the flexibility and economic interest of the direct consumers of these goods. Specifically, the relations of prices for different varieties of mutually interchangeable consumable vegetable oils under the influence of fluctuations in supply and demand on the world market are constantly changing. The difference sometimes reaches \$100 per ton or more. If the foreign trade organizations were tied down to a rigid plan, it would be possible, based on the conditions of the world market, to substitute, for example, soybean oil with coconut oil, palm oil or "kanola", with great savings of currency.

The world practice for times of import and export of goods also gives some interesting examples. China exports grain after the crop harvest, and imports it later, as it is needed. Because of a shortage of grain elevators and storage facilities, Argentina tries to export grain and oil-producing crops immediately after the harvesting and processing of the seeds. Such a practice is applicable for countries with a weakly developed storage and processing base. It is significantly more profitable than storing the crops under the open sky or in buildings which are not adapted for this purpose, which results in disruption of technologies, and consequently excessive losses. In fact, export in this case represents the sale of those products which would have been lost. In the USSR, until the program for building capacities for processing and storage is realized, the implementation of such export

operations would be fully expedient. With a prudent organization of the matter and appropriate organization of transport, the export of such potential losses can already today in significant measure cover the expenditures for import of food products.

Considering the size of our country, it is probably more expedient to bring in food products to the Far East from abroad, and not to transport them across the entire country. The currency for these deliveries may be earned from the export of food products from the European part of the country.

In order to realize the export potential of the APK [agroindustrial complex] sphere and its harmonic inclusion into the international division of labor, appropriate levers are needed. They may include the level of currency deductions and various export privileges, as well as favorable conditions of cooperation of the APK enterprises with foreign companies in the sphere of investment cooperation, and special incentives for attracting Western managers, farmers, and high-class specialists to agriculture, processing and storage. It is also important that the immediate producer receive the direct effect from such currency stimulation. Unfortunately, prior to April 1989, the main profits from the export of surplus [above-plan] food products often went to cooperatives and to various mediators, including all kinds of joint enterprises which themselves had not expended any effort for the production and processing of these products.

Yet it would also be unjustified to fall into the other extremity which has become apparent today—to introduce excessive limitations and various bureaucratic obstacles in the path of agrarian export. Such an approach may cut at the root the very possibility of such development. The optimal solution would be to simplify the export procedure realized through all-union foreign economic associations (VVO) such as "Eksportkhleb", "Prodintorg", "Soyuzplodoimport", and to create on their basis trade houses which carry many kinds of goods and compete with each other. These would cooperate on a voluntary basis or within the framework of intersectorial associations, concerns, or other forms of associations with kolkhozes, sovkhozes, agrocombines, processing enterprises, grain elevators, and transport enterprises.

In China, which embarked upon the path of reform before many of the other socialist countries, the main portion of export and import of food products falls to the Chinese national company for export and import of grains, vegetable oils and foodstuffs. Aside from the main foreign trade companies, [this national company] includes 42 departments in the provinces and autonomous rayons which have purchasing centers, warehouses, refrigeration facilities, and transport. This company also has several departments and subsidiary companies abroad, as well as its own fleet and building capacities.

An important role in developing export belongs to the degree to which producers are informed about the world market conditions: The requirements for quality, future development of demand and prices, level of prices and methods of determining them, possible counteragents, trade-political conditions, and the search for the most profitable goods and operational variants for the future. This information is necessary not only for concluding certain specific deals, but also for developing a strategy for investing in various sectors of agriculture and in the processing capacities based on possible tendencies in development of the world market.

Of course, the proposed measures may be viewed only as a beginning. For the stable and significant increase in export, in addition to the rationalization of trade and the increased effectiveness of participation in international trade, it is necessary to have improved quality of products, increased portion of highly processed products, basic changes in packaging and labelling of goods, increased storage capacities, and improved transport. Yet it is also no less important to overcome that essentially anti-market, command-administrative psychology of self-isolation, the isolation of the peasant from the world market.

**Packaging Problems in Food Industry Discussed**  
*18270105 Moscow SOVETSKAYA TORGOVLYA in Russian No 5, May 89 pp 4-6*

[Article by Prof M. Bakanov, distinguished RSFSR scientist, and L. Dvoryantseva and N. Ni, docents in the Correspondence Institute of Soviet Trade, Moscow and Chelyabinsk: "Packaging: The Problems Are Getting Worse"]

[Text] The prewrapping and packaging of food in small containers have often been written about and spoken about still more. But the situation has not improved, but in many respects has even worsened appreciably.

Back in 1966, plans called for increasing by 1970 the output of prepackaged and prewrapped goods up to an average of 50 percent of the total volume of goods reaching the retail trade network (meat 45 percent, milk 77 percent, sour cream 78 percent, confectionery products 68 percent, noodles 31 percent, potatoes 27 percent, fruit and berries 28 percent). After this a number of resolutions on the issue was adopted at the highest level, but none of them was carried out.

By 1986, or 20 years later, the USSR State Committee for Statistics reported that the sale of food products in light industrial pre-wrapping and packaging amounted to a total of only 26 percent (meat and poultry 23 percent, milk 48 percent, sourcream 21 percent, confectionary products 23 percent). Potatoes, vegetables, and fruit were not packaged at all by producers. The industrial packaging of fish, sugar, eggs, and loose dry materials (they represent 9, 13, 2, and 17 percent, respectively, of the quantity of goods sold through the retail network)



was characterized by minimal indexes. Plans for prepackaging products which have been adopted by USSR State Agroindustrial Committee, the USSR Ministry of the Fish Industry and the USSR Ministry of Grain Products for 1987 have also turned out to be unfulfilled for a majority of product designations. The great majority of foodstuffs is weighed to order for customers, which is the way retail trade was done in Russia in the last century and the beginning of this one. More food is packaged right in the stores—in a primitive way that involves immense financial costs and material losses of both the products themselves and the packaging materials.

It is more economical to package goods in the production sector than in the distribution sphere, that is beyond dispute. The only processes that are proper to the latter are those of realizing the value, of making the exchange, of satisfying the specific needs of the public. Although production processes in the distribution sphere are in fact inevitable, their share must be minimal and must constantly decrease. That is exactly what is happening in the advanced capitalist countries and a number of European socialist countries.

Food that has been prewrapped or prepackaged conveniently for the consumer should be looked upon as the finished product of the industry producing foodstuffs. What is more, the packaging should also serve the purposes of advertising and promoting a healthy way of life.

The packages and cartons containing foodstuffs, for example, must indicate their caloric value, which is very important to the optimum diet. Medical statistics indicate that half of the USSR population suffers from overeating and 25 percent from obesity.

At the present time, customers are very disturbed about nitrites and nitrates in foodstuffs. If it is indicated on the package that their amounts do not exceed the permissible standard or that they are not in the product at all, then this could eliminate unnecessary uneasiness.

By no means does the package always indicate the best way of cooking the raw material and of preparing dishes. As a consequence, many housewives use apples without the peel and cauliflower without the leaves, they throw away the seeds and stem of sweet peppers, the pumpkin, and so on. Even though it is the peel of the apple, the leaves and the seeds of many plants that contain valuable active nutritional substances—phytoncides, biostimulators, vitamins, mineral salts, and trace elements. It was the ancient Hippocrates who wrote: "Foods must be medicines, and our medicines must be foods."

Calculations show that nothing more than preservation of the biological yield over the entire chain of its movement—harvesting, primary processing, storage, shipment, industrial processing, retail sale, and economical household use—would help without additional investments in the industrial sector to mainly carry out the country's Food Program.

An important link in this chain is industrial packaging and wrapping of foodstuffs. These operations are the natural culmination of the technological process at industrial enterprises. Everyone has known this for a long time.

But in 1987 enterprises in the retail and wholesale trade sectors of the USSR packaged and wrapped more than 11.5 million tons of foodstuffs, including about 70 percent in the stores. The packaging of meat, sausage, fish, confectionery goods and macaroni products, flour, rolled products, vegetables, and fruit was done primarily in stores (74-99 percent). Only granulated sugar, salt, and potatoes are packaged in considerable quantities in wholesale trade.

The data the authors obtained by studying the organization of the packaging of foodstuffs in various cities of the country confirm that it has been entirely or almost entirely automated at industrial enterprises. Semiautomatic RRK scales with an output of 9 tons per shift, the DRK-1 with an output of 16 tons per shift, and automatic lines with an output of 20-22 tons per shift are used to package loose dry materials (flour, rolled products, granulated sugar). Automatic equipment is used to package salt, butter, sour cream, and cottage cheese.

In the packaging shops set up in the depots of retail trade organizations, semiautomatic equipment is used at best to package loose dry materials. More frequently, almost all the products are packaged by hand. Consequently, the organization of packaging in specially organized shops differs little at present from doing it in the stores. It is at the same primitive level.

The reason for this is the extremely low adequacy of the machines, the unsatisfactory supply of materials, and difficulties with manpower. The needs for packaging and wrapping equipment and spare parts for it are not being fully met at all. New types of equipment are not being put into production rapidly. The technical level of the equipment does not always meet present-day requirements. The pages of the periodical press have repeatedly raised the issue of its low quality, lack of refinement, and unreliability. The former Minlegpishchemash repeatedly failed to carry out government assignments to produce up-to-date packaging devices and automatic machines.

The following figures give one an idea about the supply of packaging equipment to the trade sector: in the wholesale trade of RSFSR there are only 87 automatic machines and automatic lines, 256 automatic and semiautomatic scales for packaging loose dry materials. In retail trade, the figures are 60 and 1,384 units, respectively. In addition, the retail trade sector of RSFSR had 36 lines for cutting and packaging delicatessen items, and in wholesale trade there were 88 automatic machines for making paper packages. If we compare these figures to the number of wholesale and retail trade enterprises, it amounts to extremely little. Which means that most products are packaged by hand.



What is more, analysis reveals the inefficiency of equipment use under store conditions. In Chelyabinsk, for example, the coefficient of utilization of equipment, measured as the ratio of time actually operated to the number of store hours, is only 0.38-0.50. The main reason for the idle time of equipment is that its productivity is not suitable to the amount of work to be done.

Calculations show that in a supermarket with a sales floor area of 1,200 m<sup>2</sup> a "Darvak" A/300 machine for vacuum packaging of delicatessen products operates no more than 5 hours per day, including the time spent on incidental, preliminary, and finishing operations. In large supermarkets, other machines have also been installed for heat-seal packaging. Thus, while there is an acute shortage of highly productive equipment, it is standing idle in supermarkets, which results in higher current costs for packaging.

Another trouble to be added to this is that there is a shortage in warehouses and especially in stores of space specifically set aside for packaging. Few stores have a special room for packaging; more frequently these operations are literally done by hand in cramped and dark little rooms.

There is the shortage of packaging materials; year after year the requests for them are not being met. The Ministry for Light Industry is not fulfilling assignments for the output of wrapping paper and cardboard nor for creation of strong new materials, and the Ministry of Chemical Industry is not fulfilling assignments to produce film with a heat-sealing layer and also film for the shrink-wrapping of foodstuffs (delicatessen articles above all). Failure to supply the necessary containers and packaging materials to enterprises is one of the reasons why the equipment is not used up to its capacity.

The efficiency of packaging depends in large part, of course, on personnel—on the number of packagers, on their vocational training, and on the machine-labor ratio. It should be taken into account that in the trade sector the operations involved in packaging are performed by personnel in other occupations—sales clerks, checkers, cashiers, assistant section heads, workers, and sometimes even store decorators. Every day in retail enterprises between 20 and 55 percent of the workers (in addition to the packagers) spend 4-5 hours packaging goods. It is a constructive thing to involve otherwise unoccupied hands in packaging. But this is still the strategy for extensive development. It would be unquestionably better to use a smaller number of packaging personnel with professional training who would be operating automatic lines.

Particular attention should be paid to the problem of the cost of packaging and wrapping foodstuffs. Here again, the indicators differ widely between industry and trade.

We will offer in evidence figures on the cost of packaging certain commodities obtained on the basis of official cost calculations of enterprises in Voronezh, Omsk, Rostov, and Chelyabinsk (in rubles per ton):

	Flour	Rolled Products	Granulated Sugar
In industry	15-25	19-21	10-15
At wholesale depots and warehouses	20-30	20-25	15-21
In stores	38-48	29-50	40-60

The conclusion that can be drawn from an analysis of these figures is that moving the packaging of goods from retail enterprises to industrial enterprises would bring a saving of 23 rubles per ton for flour, 10-29 for rolled products, and 30-45 rubles per ton for granulated sugar. In the country as a whole, the saving for just these three products would be almost 100 million rubles (60 million rubles for sugar, 20 million rubles for flour, and 19 million rubles for rolled products).

The opinion is quite widespread that the shipment of these products from the place where they are produced to the place where they are sold is far more economical in sacks than in small packages (packages weighing between 1 and 3 kg), and that packaging them in the stores is more acceptable than packaging done by the producer. As a matter of fact, the first form of shipment is a bit more economical than shipping the packaged goods in bundles, cartons, and containers. But that saving is considerably less than is usually thought. What is more, in the latter case there are appreciably smaller losses of goods in shipment. Reduction of product losses alone entirely justifies transfer of the processes of preliminary packaging and wrapping from trade to industry.

A legitimate question arises: Given the clear advisability and indisputable socioeconomic effectiveness, why is it that the processes of wrapping and packaging are overwhelmingly done in the distribution sphere, not in the production sphere; why do industrial enterprises regularly and flagrantly violate the decrees from the highest official levels?

In order to answer that question, we analyzed the production cost of foodstuffs at industrial enterprises in Chelyabinsk Oblast—a meat combine, dairy combine, enterprises of the oblast production administration for baked goods, the bread-baking association, and a production association in the confectionery industry. The following fact became altogether clear: for industrial enterprises, the production of wrapped and appropriately packaged products is either a losing operation or is less profitable than producing them unpackaged.

The packaging of a ton of high-grade flour results in a loss of 8 rubles, high-grade cottage cheese 115 rubles, first-grade cottage cheese 184 rubles, "Coffee" rusks 254 rubles, "Moscow" rusks 289 rubles, and "Liqueur" caramels 36 rubles.

At the same time, enterprises realize profit per ton of producing the unpackaged product: 16 rubles for high-grade rolled oats, 48 rubles for "Fruit" and "Voronezh" spice cakes, 122 for "Red Poppy" candy, 48 rubles for "Aromatic" candy, and 232 rubles for grade-one beef.

And finally, there is no force that could compel an enterprise to produce goods at a loss in small packages when production of unpackaged goods brings a profit. Consequently, wholesale prices have to be regulated in such a way that the production of wrapped and packaged goods would be more profitable for the industrial enterprises than producing the unpackaged goods. In practice, this can be done by a sound division of gross income between the producer and retail trade. This is achieved either by establishing supplements to be paid by trade enterprises to the producer for delivery of packaged goods or by means of a differentiation of trade discounts. This means that lower trade discounts must be established on packaged goods than on unpackaged goods.

At the present time, additional supplements have been established only on a very small group of commodities. These supplements are as follows per quintal: on packaged flour and rolled products weighing 1 kg or more—1 ruble 90 kopecks; on packaged rolled products weighing 0.5 kg—2 rubles 70 kopecks; on packaged edible rendered fats, butter, and butter oil—6 rubles; and packaged cottage cheese—2 rubles.

But the most acceptable mechanism, we are convinced, would not be to establish supplements, but to differentiate trade discounts on packaged and unpackaged goods over the entire product mix. It is well-known that trade discounts in the former and latter cases must cover the corresponding costs for the particular commodity and must guarantee an equally high profitability for the particular commodity.

By way of illustrating the basis for such a differentiation, a reference point can be taken from the following levels calculated by the department for economic analysis of ZIST (in percentage of sales) of the cost intensiveness in selling the following commodities: 4.3 for packaged meat and poultry and 7.8 when it is unpackaged; 3.4 and 5.1, respectively, for sausages and smoked meats, 3.3 and 6.6 for fish, 5.1 and 5.6 for herring, 3.4 and 5.1 for butter, 4.7 and 6.1 for vegetable oil, 4.7 and 8.5 for rendered lard and other edible fats, 5.4 and 7.9 for margarine and margarine products, 9.5 and 10.8 for milk and dairy products, 4.9 and 6.3 for cheese, 3.1 and 5.4 for eggs, 6.0 and 9.8 for sugar, 4.5 and 9.6 for confectionery products, 44.0 and 49.4 for salt, 10.4 and 13.3 for flour, 7.9 and 9.3 for rolled products and peas and beans, 8.0 and 12.8 for

macaroni products, 18.8 and 28.8 for potatoes, 12.2 and 18.1 for vegetables, 9.0 and 11.0 for fruit and berries, and 8.5 and 29.6 for ice cream.

We should note in conclusion that a complete solution to the problem raised in the context of cost accounting (khozraschet) and self-financing presupposes organization of sample calculations using prescribed procedures. Calculation of the cost of packaging goods in trade enterprises and of distribution costs by commodity and commodity groups in general (as a rule on a selective basis) is an indispensable condition for correct determination of levels of trade discounts, which should be reviewed periodically, and in the establishment of contract prices and the achievement of true cost accounting.

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## GOODS PRODUCTION, DISTRIBUTION

### Confusion Over Rising Prices, Clothing Indices 18270097 Moscow SOTSIALISTICHESKAYA INDUSTRIYA in Russian 4 May 89 p 1

[Article by A. Kannabikh and M. Yakovleva, employees in the working group for establishing an all-union consumer society, under the "Consumer Rights" rubric: "Your Jumper—With a Dirty Trick"]

[Text] One cannot deny that light industry goods are becoming more fashionable and smart-looking. However, one also cannot fail to see that prices are growing even more rapidly.

During January 1989 alone, consumers were offered goods valued at 52 percent more in contract prices than during the corresponding period of last year; those with an "N" (new item) index—21 percent; and with an "OM" (especially fashionable)—43 percent. The absolute record belongs to the increase in contract prices for the first test batches ("OP"). Their production grew almost twofold.

In order to understand the scope of this "press" on our pocketbook, it is sufficient to point out that the cost of one-third of the items was significantly higher than the permanent retail price. It is necessary to note, however, that we are primarily talking about goods in mass demand, which we use every day, and we know that they are frequently in short supply. It is clear from this that we do not have any selection and that we must purchase items having any index.

Let us say right out that it is not easy for the ordinary buyer to examine the devices for raising prices, to which industry resorts in close union with trade. That is why it was quite appropriate for the USSR Council of Ministers to adopt at the beginning of this year a decree regulating

the great number of commodity markings, leaving only two indices: "D"—contract prices and "N"—new item. However, several other problems still remain to be finally solved.

For example, the same dresses, jumpers and suits are sold in many stores, but it happens that they are sold at a different price in one. It is possible to recall a case where two identical twin dresses, model No 139 "OM" from the Ivanteyevskiy Knitted Goods Production Association, hung in the Bogatyr store, which is on Seleznevskaya Street in Moscow; the retail price of one was almost twofold more than the other. The saleswoman had even thought up an explanation: One is experimental and the other is series produced.

The solution, however, is simple: The "OM" index, which gave the right to set a contract price for it, appeared on the dress. Let us again recall that a protocol, signed by the representatives of industry and trade, sets the price for a certain period and the price should be removed at the end of this time. They establish but they seemingly forget to remove it on time, that is, to re-price it in a timely fashion.

If the next time the customer (accidentally!) finds goods in a store, from which the markup has not been removed in a timely fashion, a scandal in a "noble family" begins. Trade puts the blame on the factory; and the factory—on trade. Commodity managers say: "They did not tell us in time to remove the markup" and the producers beat their chests and try to convince one that they informed them by letter or notified them orally.

The most surprising thing is that the mechanism for reducing prices frequently does not work when the ties between production and trade are the closest, that is, direct—as they say. In such cases, the producers are more guilty. However, why do not trade workers come out with suggestions to remove the price markup? Perhaps it is unprofitable for them?

Now, a quite recent case.

Stores in the city of Moscow, especially the Central Department Store and store No 46 of the Izmaylovskiy Industrial Goods Trade Organization, were selling completely identical jumpers from the Kosinskiy Production Association—article "OM" 5201 KS 867 of model "OM" 899 of 1988—at different prices. The difference was almost 20 rubles. They began to investigate. The contract price had been set for this model as an "especially fashionable" item; however, a decision by the artistic and technical council of the Kosinskiy Production Association (Protocol No 6) removed the "OM" index from it on 9 December 1988 and these jumpers should have been sold at their regular price from 1 February.

The store did not mark them down. During February, March and April, they sold the jumpers at the higher price. In its words, the management of the Izmaylovskiy Industrial Goods Trade Organization store had not suspected the removal of the markup and had not followed the periods itself. If it had not been for the intervention of the Buyer's Club, these little items would have been sold as before—at almost twofold more than their cost.

Article 20 of the draft of the USSR Law "On Product Quality and the Protection of Consumer Rights" stipulates that, in accordance with existing legislation, the manufacturer (supplier) bears economic responsibility for setting prices too high. However, the existing practice is such that, when such cases are detected, penalty sanctions are used against the guilty organizations and the illegally received assets are confiscated for the state budget income.

Again, no one remembers the consumer. It seems that he has nothing to do with it. However, you see, he has been deceived and rudely cheated. First of all, one must return to him the money illegally obtained from him—the more so since there is already a precedent. Several of those, who purchased Ivanteyevskiy dresses, have heard the call of the Buyers' Club and have gone to the store where their money was returned to them. Today, this question is still being resolved through the efforts of consumer movement enthusiasts. It is necessary, however that this procedure become a rule!

Another thing. Consumer societies are being formed in the country today. In our opinion, in order to strengthen the economic and material responsibility of manufacturers for product quality, it is necessary to add the following words to Point 1 of Article 25 in the law's draft: "Deductions for the benefit of the appropriate society are made from the sales of poor quality products detected by the society."

And now—attention!

All customers, who purchased a woman's jumper from the Kosinskiy Production Association (the article is mentioned above) during February - April of this year in Moscow's stores at a cost of 56 rubles for grade I and 53 rubles for grade II and who have a receipt, should return to the store where the purchase was made and demand the return of the money overpaid.

## PERSONAL INCOME, SAVINGS

**Impact of Proposed Income Tax Law Assessed**  
18200356 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 19, May 89 p 13

[Article by P. Korotkov: "Taxes: How Much Will We Pay?"]

[Text] As *EKONOMICHESKAYA GAZETA* has already reported, a press conference on drafts of the Law on Change in Personal Taxation Procedure and Incidence

**and on decrees of the USSR Council of Ministers on this question was held at the USSR Ministry of Finance. Interest in this question is understandable: after all, the majority of the population are taxpayers. What was discussed at the press conference?**

First of all, the necessity of improving tax legislation. Changes in social production and the social sphere and the transition to predominantly economic methods of national economic management require taking a new look at personal taxes. In recent years, there have been substantial changes in Soviet citizens' level of material affluence. These changes have been accompanied by the broad differentiation of wages and other of the working people's incomes. Cooperative and individual labor activity is acquiring ever broader development.

It is important that all this be taken into account in the system of taxation particularly because the tax rates have essentially not changed for a long time. The projected changes do not by any means resolve budget formation problems but stem primarily from the need for social justice and uniformity in taxation. Personal taxes occupy a small share—only eight percent—in budget revenues. According to the plan for 1989, for example, they comprise about 37 billion rubles.

The drafts that have been submitted for public discussion for the most part concern income tax. Why? As V. G. Panskov, USSR first deputy minister of finance, noted at the press conference, primarily because this is the basic type of tax: it comprises 92.6 percent of all personal taxes paid into the budget. On the other hand, the present income tax system has a number of substantial defects. For example, there is no uniform approach to different types of income: taxation modes vary (for example, basic wages and earnings from secondary employment, the incomes of priests, craftsmen, workers and employees, etc., are taxed differently; the minimum not subject to taxation and tax rates also vary. Income tax exemptions are frequently along occupational and regional lines and are not applied uniformly to everyone. What is more, the tax system does not take into account the real, i. e., the total annual income of the working people.

What is proposed? The published draft shows the intention to raise the minimum taxable wage from 70 to 80 rubles a month for all categories of working people. In addition to this, taxes on earnings between 81 and 100 rubles a month will be reduced by an average 38 percent.

How many people will be affected by these measures? As noted at the press conference, more than nine million persons will benefit. Tax rates for most people will remain the same. After all, it is planned to retain the existing tax rates on earnings ranging from 100 to 700 rubles a month. Ninety percent of all working people fall into this income tax bracket. The draft law proposes raising the progressive income tax rates on earnings above 700 rubles a month. The higher rates will affect

the incomes of 1.4 million persons. It is impossible to disagree with this. After all, persons earning 100 and 1000 rubles a month are essentially participating equally in the formation of budget revenues.

What impact will the proposed measures have on the budget? Because of the rise in the untaxed minimum, budget revenues will decline by 195 million rubles. On the other hand, the budget will receive about 23 million additional rubles as a result of higher tax rates. Thus the budget will lose more than 170 million rubles. However this will be almost entirely compensated by the rescission of income tax exemptions indicated in the draft decree of the USSR Council of Ministers "On the Regulation of Personal Tax Exemptions."

It is also fundamentally important that henceforth it is proposed to make new income tax rates more universal. It is planned to apply them to both basic and secondary earnings. Taxation will be uniform for workers and employees, for cooperative members, and for persons working under contract in cooperatives.

The question of taxation of bonuses was raised at the press conference. It will also be uniform. At the present time, certain bonuses are taxed together with basic wages; others are taxed separately; still others are not taxed at all. For example, bonuses to persons earning less than 100 rubles a month for the production of consumer goods, for conserving materials, for promoting inventions are taxed separately from their basic pay. Bonuses to wage earners receiving higher basic pay are taxed together with the latter. Bonuses awarded by the USSR Exhibition of Achievements of the National Economy and bonuses obtained on the basis of social competition, except bonuses involving intraplant competition, are taxed separately.

It is proposed that all types of awards (with the exception of the Lenin prize, the State prize, prizes of the USSR Council of Ministers, prizes of councils of ministers of union republics, and prizes of the Lenin Komsomol, which are entirely tax exempt) be taxed together with earnings of the month in which the award is paid.

The draft law also establishes a uniform taxation procedure for cases where the worker at an enterprise receives only an advance and the final reckoning is based on the results of the performance of contract work or performance for the year. The earnings received as the final settlement will be pro rated for tax purposes for months actually worked. At the present time, this procedure is applied only on sovkhozes and at other agriculture enterprises. It will now be extended to other branches of the economy and cooperatives.

It is also proposed to extend to members of cooperatives the 30-percent income tax exemption that exists for workers and employees with a minimum of four dependent children or other dependents. In the past, this exemption was granted to only workers and employees.



All this attests to the fact that a more harmonious system of personal taxes is being formed. But have all questions been solved? I think not.

As noted at the press conference, the reaction has been mixed to the provision of the law regarding income tax on authors' fees. Taxes on them will continue to be withheld in the course of the year at the place of disbursement. However unlike workers and employees, persons receiving honoraria are obligated to submit a declaration at the end of the year on the full sum of authors' fees for the past year. This is because an author will often publish or perform the same work more than once and in several places but the annual sum of the authors' income has not been taken into account to date.

The tax will be calculated as follows. For example, an author receives an honorarium of 6000 rubles in May. The tax will, as at present, be withheld at the place of disbursement and will total 722 rubles 40 kopecks or 12 percent (honoraria are taxed at the same rate as for annual income). Let us assume that in August the same author received an honorarium of 5000 rubles elsewhere. The tax on this sum will be 592 rubles 40 kopecks or 11.8 percent. Consequently, a total 1314 rubles 80 kopecks or 12 percent will be withheld at the place of disbursement (for example, a publishing house).

According to the same procedure, the author will have to make a declaration at the end of the year that his total honorarium in the previous year was 11,000 rubles. Under the new rates, the tax on this sum will be 1434 rubles 40 kopecks, i. e., 13 percent. On the basis of the declaration, the finance organ will notify the author that he must pay the budget another 119 rubles 60 kopecks. It is not entirely clear how to secure the full accounting of the payment of honoraria and how to see to it that finance organs are informed on payments received.

Naturally the question arises: do the proposed tax changes affect many writers and artists? Here is what the figures say. Last year, works by 36,450 authors (composers, poets, prose writers, playwrights) were performed in our country. All of them received an honorarium. The honorarium paid to 26,988 persons (74 percent) for the year was less than 300 rubles while the honorarium paid to 187 persons was higher than 15,000 rubles. As we see, taxes on honoraria for the performance and publication of the works of the great majority of creative workers will essentially not change.

But the question was also asked at the press conference: why will a declaration of annual income be submitted only by persons receiving honoraria? After all, a worker and an employee, the member of a cooperative, or any working person can obtain income from several places. In addition to their basis job, they can also work at a second job, can work in a cooperative, or can engage in individual labor activity. And all earnings will be taxed

separately at the place of disbursement rather than aggregate earnings being taxed for the year. This can result in the unwarranted lowering of income tax rates.

The only apparent solution lies in each working person submitting an annual income declaration that will serve as the basis for levying personal income tax. This is incidentally the practice in most countries in the world. Of course, this will require an increase in bookkeeping work, in the number of personnel in finance organs and the corresponding improvement in their skill level. We are obviously not entirely ready for such radical tax reform today. But the sooner we learn to base relations between the population and the state on declarations, the more just will our system of taxation be. One is therefore astonished at suggestions at the press conference that declarations for all working people be introduced at best at the end of the 13th Five-Year Plan or beginning of the 14th Five-Year Plan. It is of course also essential to provide quite strict penalties for concealing income.

The draft law contains a provision regarding tax exemptions for certain types of income. While it is of course essential to encourage highly skilled labor, this should be done not through tax exemptions but by paying higher wages if they are justified.

The discussion of the draft of the USSR Law on Personal Taxation Procedure and Incidence and other documents on these questions is continuing. As *EG* has already reported, the USSR Council of Ministers has created a task group headed by V. G. Panskov, USSR first deputy minister of finance, for the purpose of examining and conceptualizing the opinions of work collectives and individual citizens. The edited draft of the USSR Law on Personal Taxation Procedure and Incidence must be presented to the USSR Council of Ministers by 20 May of the current year for submission to the USSR Supreme Soviet. The degree to which our future tax system is just will depend on how actively each of us participates in the discussion of the draft of this law.

### **Disparities in Personal Income, Labor Distribution Raise Concern**

18270115 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 25, Jun 89 p 11

[Article by A. Kovalev: "Who Is and Why Are They Beyond the Poverty Line: Reflections on USSR Goskostat Data"]

[Text] Raising the people's living standard is one of the key tasks which determines the party's social policy, characterizes the activities of republic governmental agencies, and Soviet local governmental bodies. This issue was fundamentally and acutely raised at the Congress of USSR Peoples Deputies and was expressed in its primary decision.



Average per capita gross income and its correlation to a subsistence wage is a generalized growth indicator of the population's standard of living. We can argue about the methodology for calculating this correlation, propose other calculating formulas, but since we are limited to statistical tools which have been adopted in practice, we will proceed from data which USSR Goskomstat [State Committee for Statistics] has at its disposal at the present time. They are in front of you—in the tables presented to the editorial staff by our central statistical department.

What first and foremost calls attention to itself? Reduction of the low-income portion of the population (upper table) and the growth of the number of people with average per capita gross incomes of 125-150 rubles and higher in 1988 in contrast with 1980 and 1985.

From USSR Goskomstat's data, the result is that major changes in distribution of the nation's population by average per capita gross income level are associated with the transition to economic management methods, with the increase of the role of material incentives for labor, and with definite intensification of the interrelation of wages and their results during the 12th five-year plan. And, of course, with measures for increasing the subsistence wage of many categories of the population. In connection with this, the population's average per capita gross income (wages, pensions, grants, various subsidies and benefits, monetary and other income from subsidiary small holdings, etc.) increased in 1988 by 28 percent in contrast with 1980, by 13 percent in contrast with 1985, and totaled 143 rubles per month. Average annual per capita income growth rates of the population increased from 2.5 percent in the 11th five-year plan to 4.2 percent in the 12th five-year plan. The positive trend of reduction of the number of people with incomes below 75 rubles per month draws attention to itself. This number decreased by a total of nearly 33 million people nationwide, or by 1.9 times in 1988 in contrast with 1980.

Last year for the first time the number of people with incomes above 200 rubles per month (17.2 of the total population) exceeded the number of people with low-incomes below 75 rubles per month (12.6 percent). This, on one hand, is evidence of the results of the struggle with unjustified wage-leveling in remuneration and improvement of its organization and, on the other hand, is evidence of the sufficiently high portion of the population with very small incomes. Practically every eighth person in our society has an income lower than the subsistence level, which, according to USSR Goskomtrud [State Committee for Labor and Social Problems] and USSR Goskomstat calculations, totaled 78 rubles per month per family member in 1988.

This is why the discussion of the issues of raising the population's standard of living proceeded with alarm and concern at the Congress of USSR Peoples Deputies and urgent and immediate measures for correcting the existing situation were adopted. They are now well known and there is no need to repeat them here. But there is a need to look into the causes and reasons for the

existing situation and to examine those social alogisms through which the limit passes which determines the poverty line in various regions of the nation.

The level of the people's material welfare is caused by a number of factors. There is also the sex and age composition of the population, natural climactic peculiarities of the regions, and both national traditions and value orientations of the population. Territorial division of labor and structure of production also play a significant role. To one degree or another, each of these factors forms the level of income and the correlation between working and non-working (dependents) members of families. According to Goskomstat data, among the population with incomes below 75 rubles per family member per month (and there are 36 million of them), almost half are from large families living mainly in the republics of Central Asia, Kazakh SSR, or Azerbaijan SSR, a third are young families, and a fifth are pensioners.

How do we explain this social fact? Did it appear through a sudden discovery which caught our community unaware, or was it predicted on the basis of analysis of the economic and social development of major regions? It was not a sudden discovery. But it is not so easy to make a simple conclusion about the minimum size of average per capita income and its sources. We will not talk about aid to the family here, including to young families, or the need to improve the administration of pensions. Decisions are being made on these issues. What is required in our view is a deeper analysis of the causes of the unsatisfactory correlation between workers and non-workers, the level of remuneration in various spheres of the national economy, and the structure of production in a number of republics.

At the very beginning of the five-year plan, the CPSU Central Committee manifested concern about the state of these republics' socio-economic development, the lag in the growth of their productivity of labor and production of national income, and increases in the population's standard of living. Even then the causes of economic lag were brought to light and steps were defined for their very rapid elimination. In its 31 March 1989 resolution, the CPSU Central Committee called work performed by government, economic, and party agencies of Uzbekistan, Azerbaijan, Tajikistan, and also Armenia and Dagestan CPSU Obkom in tasking the unemployed portion of the able-bodied population with socially useful work as one of the main causes as unsatisfactory. The Central Committee pointed out that the existing situation was fraught with serious economic and social consequences. Nationwide in 1984 at a time when the average percentage of unemployed among the total number of able-bodied people totaled 10.4 percent and was maintained at the 1980 level, in Azerbaijan SSR, for example, in the presence of high population growth rates, the percentage of unemployed totaled 27.6 percent, in Tajik SSR—25.7, Uzbek SSR—22.8, and Turkmen SSR—18.8 percent.

Of course, the concept "unemployed" is not nearly equivalent to the concept of "not working." A mother with several children is a great worker. But detailed

study of the reserve of the main productive force in the regions investigated showed that approximately three million additional people could be involved in social production and more than a third of this reserve was made up of men not involved with social production.

Another quite impartial side of the issue was also revealed: Local party, government, and economic agencies inadequately mastered these issues and did not take proper steps within the limits of their jurisdiction for correcting the situation. Basically, they occupied a dependent position. The calculation was done to a great degree with the center's help, understanding, that the center could not turn out to be indifferent to the existing situation, that it says it would "dodge"—whoever has something to "reduce," it will reduce something in the state budget and transfer resources.

The center did not remain indifferent. Its help drastically reduced the acuteness of the problem. And an alternative was seen in something else—in the use of local resources. When there are unemployed people, many enterprises, building sites, and sovkhozes experienced a chronic labor shortage. Manpower requirements were very often covered at the expense of other areas of the nation which were frequently short of labor. As a result, the portion of workers represented a minority nationality population is low at many enterprises of leading branches of industry. These are the very conditions which were poorly taken into account in the republics.

I think the opinion on the unavoidable exclusion of women with large families from the social production sphere is not quite sound. As the inspection showed, mothers of large families total less than 20 percent of those not employed in social production. More than half of them would like to work under certain conditions. Women also cannot find work because in many "women's" spheres, in sales, consumer services, and delivery and, "in the majority of cases," their places are occupied by men. And at the same time, domestic forms of employment and flexible work scheduling with a reduced working day are developing slowly.

Having examined the issue on assigning the unemployed portion of the population to work in socially useful labor, the CPSU Central Committee, already in March 1986, demanded that republic party agencies take urgent steps to correct the situation and required central economic departments to render appropriate assistance.

This issue is being constantly monitored. In September 1987, it once again became the topic of discussion in the CPSU Central Committee. And after that, it was thoroughly studied by the appropriate agencies.

There is progress, but obviously it could be more substantial if the issues were resolved locally with the same degree of activity with which they are placed before the central departments. According to expert evaluations and proceeding from the optimal employment level, additional hundreds of thousands of people, first of all men, can be employed in social production in the republics of Central Asia. This is one of the conditions for improving the correlation between workers and dependents which allows a substantial increase in the average per capita income level and, consequently, the population's material security.

There are possibilities for doing this. This is also the broad introduction of multi-shift modes of operation in industry with appropriate professional training of personnel and, first of all, of young people, the more persistent and purposeful development of labor-intensive production, introduction of new forms of organization of labor, the establishment of cooperatives and leased collectives in various branches of the economy. [Establishment of] branches of enterprises, small-scale production, and subsidiary small-production in various populated areas, also including small areas. This is also more active participation of republic agencies in monitoring compliance with time periods for constructing new industrial facilities, their branches in rural locations, and training for their personnel on-site.

#### USSR Goskomstat reports:

##### Distribution of the Nation's Population According to Average Per Capita Gross Income (Calculations Based on Family Budget Research Data)

	Average Annual Population Figures					
	Millions of People			In Percentages of the Total		
	1980	1985	1988	1980	1985	1988
Total Population	265.5	277.2	285.5	100	100	100
Portion of Population with an Average Monthly per Capita Gross Income (in Rubles):						
Below 50	19.3	11.8	8.3	7.3	4.3	2.9
50-75	49.3	37.8	27.7	18.5	13.6	9.7
75-100	61.6	54.8	44.7	23.2	19.8	15.7
100-125	51.8	53.6	50.2	19.5	19.3	17.6
125-150	35.0	41.7	44.9	13.2	15.0	15.7

**Distribution of the Nation's Population According to Average Per Capita Gross Income  
(Calculations Based on Family Budget Research Data)**

	Average Annual Population Figures					
	Millions of People			In Percentages of the Total		
	1980	1985	1988	1980	1985	1988
150-175	21.7	28.9	35.0	8.2	10.4	12.2
175-200	12.5	18.6	25.7	4.7	6.7	9.0
200-250	10.9	19.0	28.8	4.1	6.9	10.1
Above 250	3.4	11.0	20.2	1.3	4.0	7.1

**Population Distribution According to Average Per Capita Gross Income Throughout the Union Republics in 1988**

	Total Population, Millions of People	Including (in percentages) Average Per Capita Gross Monthly Incomes in Rubles				
		Below 75	75-100	100-150	150-200	Above 200
USSR	285.5	12.6	15.7	33.3	21.2	17.2
RSFSR	146.8	6.3	13.1	34.0	24.6	22.0
Ukrainian SSR	51.3	8.1	16.8	38.5	22.4	14.2
Belorussian SSR	10.2	5.0	12.9	36.8	25.8	19.5
Uzbek SSR	19.8	44.7	23.9	22.2	6.4	2.8
Kazakh SSR	16.6	15.9	19.3	33.7	18.1	13.0
Georgian SSR	5.3	16.3	17.4	31.6	18.1	16.6
Azerbaijan SSR	7.0	33.3	22.2	27.3	10.9	6.3
Lithuanian SSR	3.7	3.6	10.7	34.6	27.1	24.0
Moldavian SSR	4.2	13.0	19.8	37.3	18.9	11.0
Latvian SSR	2.7	3.2	9.5	31.8	27.2	28.3
Kirghiz SSR	4.3	37.1	23.1	26.0	9.2	4.6
Tajik SSR	5.0	58.6	20.7	15.5	3.8	1.4
Armenian SSR	3.5	18.1	21.5	34.7	16.2	9.5
Turkmen SSR	3.5	36.6	23.0	25.8	9.4	5.2
Estonian SSR	1.6	3.9	9.0	28.0	25.5	33.6

**Composition of Gross Income and its Use in Families with Different Material Means  
(According to Family Budget Research Data, in percentages)**

	All Families	Including with Average Monthly Per Capita Incomes, in Rubles				
		Below 75	75-100	100-150	150-200	Above 200
Gross Income	100	100	100	100	100	100
Including:						
Wages	65.4	37.8	51.5	65.4	70.0	68.5
Kolkhoz Wages	6.6	11.6	8.5	6.3	5.9	5.8
Earnings from Social Consumer Funds	13.6	29.1	21.8	13.6	10.2	10.6
Income from Personal Plots	6.8	13.1	9.2	7.0	6.4	6.5
Other Earnings	7.6	8.4	9.0	7.7	7.5	8.6
Expenditures From Gross Income For:						
Food	34.3	51.5	42.7	35.8	31.9	28.4
Non-Food Goods	30.4	27.4	29.2	30.3	32.0	29.7
Services	9.6	8.0	9.8	10.3	9.1	7.9
Taxes, Collections, and Payments	8.1	3.8	5.7	7.8	8.6	8.9
Other Expenses	8.8	8.6	8.5	8.5	9.7	12.0
Savings	8.8	0.7	4.1	7.3	8.7	13.1

The use of income by low income groups of the population is forced to take on a deformed character. Demand for food is first priority, therefore as a minimum, half of the family budget here is used for those

purposes. Expenditures for food in low income families in per family member calculations is almost two times lower and purchases of non-food goods is three times lower than the average for all families.

## FUELS

### Petroleum Industry Economic Performance Detailed

18220117 Moscow NEFTYANOYE KHOZYAYSTVO in Russian No 4, Apr 89 pp 3-9

[Article: "The Economic Development of the Petroleum Industry in the 12th Five-Year Plan"]

[Text] The last three years of the 12th Five-Year Plan have been marked with events reflecting the start of a sharp turn in the economic and social life of the Soviet people. As was noted at the meeting of the USSR Council of Ministers held in January 1989, due to the effect of the transition that has begun to primarily economic methods of management, and the conversion of associations, enterprises and organizations to full cost accounting and self-financing, positive shifts are noted in the national economy.

The overall situation in the social-economic sphere, however, remains complex, and the processes taking place are ambiguous and contradictory. The proper stability was not ensured in the development of the petroleum industry. Scientific-technical progress is being implemented slowly, resource conservation has not become a decisive factor in satisfying the consumption of physical resources and a rapid growth of wages as compared with the increase in labor productivity is observed everywhere.

The processes taking place in the sector were examined in detail at an expanded joint session of the Collegium of the USSR Ministry of the Petroleum Industry and the Presidium of the Central Committee of the Trade Union of Workers in the Petroleum and Gas Industry.

In 1988 the volume of extracting petroleum with gas condensate in the USSR was 624.3 million tons and is the maximum in history (29 million tons more than in 1985). Some 4,048,000 tons of petroleum and 3.7 billion cubic meters of gas were extracted above the plan. The increase in petroleum extraction was mainly provided by the regions of Western Siberia, where in 1988 415 million tons were obtained, which is 47 million tons more than in 1985.

The oil and gas extracting enterprises of the Komi ASSR, Bashkiriya, Tatarsiya and several other regions worked stably. The introduction of new principles of economic operation improved the results of the activity of most of the sector's enterprises.

The expenditures per ruble of commodity product were reduced, 990 million rubles of above-plan profit were obtained, the shortage of internal fixed capital was eliminated, the reckoning with the state budget was completely fulfilled, penalties and fines were reduced and the number of planned-loss enterprises was reduced

by 35 percent. As compared with 1985, labor productivity in industry rose by 6 percent, in drilling—by 35 percent, and in construction—by 20.9 percent. Assignments to construct wells, utilize capital investments and to produce gas refining products, consumer goods and agricultural products were fulfilled.

At the same time, serious shortcomings are noted in the cost accounting activity of the sector's enterprises and organizations. It is precisely to reveal the reasons for them and ways to accelerate the sector's social-economic development that particular attention was concentrated on the report made by V.A. Dinkov, minister of the Petroleum Industry.

The State order for 1988 for petroleum extraction was not fulfilled by 7 out of 44 oil and gas extracting associations, as the result of which 3.5 million tons below the plan were undersupplied. Among these enterprises are the Varganeftegaz, Sakhalinmorneftegaz, Azneft, Stavropolneftegaz, Arktikmorneftegazrazvedka, Tadzhikneft and Kirgizneft associations. An additional assignment for centralized supplies of petroleum was underfulfilled by 1.2 million tons, including 2.8 million tons [sic] by Glavtyumenneftegaz.

The main reasons for nonfulfillment of the plan by the Varganeftegaz PO [Production Association] are the serious errors in determining the resource base and the discrepancy between the rates of preparing new reserves for the planned level of petroleum extraction and the low degree of confirmation (approximately 68 percent) of the industrial reserves. Geological-prospecting work in the association is done with an insufficient number of prepared structures. The systems of development adopted do not properly take into consideration the special features of the deposits.

Inadequate geological study and lack of detailed seismic research substantially complicate the conditions of development and drilling. At some projects gas caps, oil fringes and zones characterized by low oil saturation and absence of collectors, not noticed before, have appeared.

The operation of the available wells is unsatisfactory, as is the compiling of the completely unthought-out, low-efficiency geological-technical measures, and the lack of their fulfillment has often led to an unjustifiably sharp decrease in the daily levels of petroleum extraction, which placed not only Glavtyumenneftegaz, but the entire sector in a critical position.

The reduction in the extracting possibilities was contributed to by the unsatisfactory organization of the PPD [maintenance of reservoir pressure] system at the Varganeftegaz PO. Because of the lack of calculation, centralized recording of the water pumping and extraction was not ensured. At some sections, as the result of an excessively large volume of pumping, the bed pressure far exceeds the original, which complicates the repair and drilling operations, and at others, on the contrary,

the wells are being operated with a bottom hole pressure lower than the saturation pressure, and this is often with the aid of UETsN [not further identified].

As the result of the insufficient exactingness of the geological services of Glavtyumenneftegaz, the associations and planning institutes, the efficiency of the capital and routine repairs of the wells is very low, the measures outlined are not carried out, and there are many repeat repairs. The level of technological discipline in drilling is low. For the Varganskiy UBR [Drilling Administration] alone, 17 percent of the wells turned over in 1988 proved to be defective.

The SibNIINP [Siberian Scientific Research Institute of the Petroleum Industry] and the Nefteotdacha MNTK [not further identified] failed to make a thorough analysis and did not issue recommendations to establish the proper order in working the deposits. Glavtyumenneftegaz did not take major measures to correct the critical situation that had formed, and in 1989 the Varganneftegaz PO is not fulfilling the State order.

The Azneft PO did not carry out the measures necessary to improve work with the available wells, renovate the field facilities and increase the efficiency of the drilling work. The Stavropolneftegaz PO considerably slackened work on utilizing and preparing capacities for gaslift oil extraction. The deposits of the Sakhalinmorneftegaz PO did not achieve the required rates for developing the PPD system, thermal and other methods of affecting the productive levels. The Arktikmorneftegazrazvedka PO is only slowly carrying out construction of oil field facilities, and year-round petroleum extraction is not ensured.

The directors of many associations have not fully utilized economic methods of management, are not doing the specific work necessary at the subdepartmental enterprises, and have weakened the effect on the processes taking place.

The minister analyzed the use of the potential created in the sector and the existing capacities. In 1986-1988 the available wells alone rose by 37,500 and constituted 189,500 wells. With respect to the situation on 1 January 1989, on the whole for the sector, 470 oil wells were standing idle, which is three-fold less than at the beginning of the five-year plan. It is impermissible, however, for the many above-norm wells at the Nizhnevartovskneftegaz, Noyabrskneftegaz, Varganneftegaz, Komineft and Sakhalinmorneftegaz PO to stand idle. It is emphasized here that the repair capacities of Glavtyumenneftegaz make it possible to launch into operation all the above-norm wells standing idle, since the number of wells falling to a single repair brigade is 43 here, while at Bashneft it is 70, Tatneft—56 and Surgutneftegaz, operating under the same conditions, 59 wells.

On the average for the ministry the between-repair period in 1986-1988 increased by 76 days and was 284 days, but at many associations it was lower than average,

particularly at the Azneft, Embaneft, Tengizneftegaz, Turkmenneft and Sakhalinmorneftegaz PO. The between-repair period at the Nizhnevartovskneftegaz, Krasnoleninskneftegaz and Stavropolneftegaz PO decreased as compared with 1987. For comparison data was presented concerning the fact that in the FRG, wells equipped with metal-gauze-asbestos gravity filters and splitter filters and centrifugal bottom pumps, have a between-repair period of 4.5 years, and in the United States the gaslift wells at maritime bases have a between-repair period of 5 years.

For many years the institutes and technological services of the associations have virtually failed to take up the problems of creating equipment and technology for hydraulic break-up of the bed, as the result of which the volume of this highly efficient work totaled 300-350 operations in 1988. Hydraulic break-up of the beds, carried out in conjunction with the Frakmaster firm at the Yuganskneftegaz PO, increased the output of the wells, which before this had been practically idle, by 15-20 tons a day. The Bureniye NPO [scientific production association], in conjunction with the Nefteotdacha MNTK, proposed studying the development of materials and technology to produce efficient deep-penetrating hydraulic break-up in the amounts necessary for the sector.

There is hardly any association, except for the Azneft and Krasnodarneftegaz PO, that is not studying sidetracking when repairing wells. To perform this work, instruments and cutting devices are worked out and developed by production, but this technology, permitting the operation of wells to be rejuvenated without large capital investments, has not come into widespread use.

The proper attention is not being paid to increasing the output of wells through drilling horizontal shafts along a productive bed. Only in the Bashneft PO has a well been drilled with a horizontal shaft 740 m long, which is still in the developmental stage.

Only a small amount of work is being done on steam cyclical and steam-gas treatment of wells, especially at deposits with highly viscous oil. For steam-gas treatment, the Soyuztermneft NPO has worked out a set of equipment and a Drakon portable steam-gas unit, the output of which was organized at its experimental plant. The Nefteotdacha MNTK and PO were commissioned to accelerate widespread use of this promising method.

As before, there is no solution to the problem of preserving the collector properties of a bed during the primary and secondary exposure, although low-clay compositions on a polymer base, inert-emulsion solutions, foam systems and other special fluids and technology have been worked out, and their use ensures a positive effect. The attention of the associations has been directed to the need to intensify work on developing new technology for exposing beds, since more and more deposits with



reserves difficult to recover and wells with low initial yields are being and will in the future be introduced into the development. The increase in the latter makes possible a substantial rise in the efficiency of using the extracting capacities created.

In 1988 the assignments for the production of gas processing products were fulfilled: by 101.9 percent for ShFLU [not further identified], 105.8 percent for compressed gases, 133 percent for stable gasoline, 110.8 percent for ethane and 105.8 percent for helium. At the same time, out of 21 plants with a planned capacity of 39.7 billion cubic meters, only 5 are fully loaded, and the rest are underloaded due to a lack of raw material. Many GPZ [gas refining plants] will not achieve the planned level of liquid hydrocarbon extraction. Problems of organizing the production of propane-butane and stable gasoline are being solved slowly. Work on converting motor vehicle transport to gaseous fuel is being done at low rates.

Available reserves are noted at the enterprises of Glavtransneft: efficient use of the capacities of the pumping stations and the linear part of the petroleum pipelines, particularly the product lines of Western Siberia to the Volga area.

The report also examined problems of improving the use of the equipment of machine building plants through increasing the shift work, efficient operation of industrial transport and reducing transport costs by 15-20 percent.

The minister dwelled on the problems of utilizing capital investments. It was noted that in the sector, as before, the amount of one-time construction and newly begun projects is large.

The petroleum industry, including the country's fuel-energy complex, is a capital-intensive sector of the national economy. The capital investments, as the result of the deterioration of the mining-geological conditions, are constantly increasing, which requires a search for methods of efficient utilization of capital. This is particularly important under the conditions of complete self-financing.

Although on the whole for the sector the volumes of unfinished construction remain within the normative limits (59 percent), in 1988 they rose by 3.8 percent. Some 15 associations permitted an increase in the volumes of unfinished construction, and among them: Tomskneft—by 20 percent, Komineft—by 15 percent, Grozneft—by 15 percent; Glavtransneft—by 16 percent. At some associations and organizations unfinished construction exceeds the norm by a factor of 1.5-2; the Embaneft PO by 197 percent, Glavmash plants—143 percent, the Grozneft PO by 124 percent. At the same time, in forming the plans for

capital investments without sufficient foundation and technical-economic estimates, the directors of the enterprises require their increase, which often leads to lengthy construction periods.

Overstatement is observed in the estimated cost of construction, as the result of using expensive structures and of inefficient transport systems, unsubstantiated conclusions in the plans for various auxiliary structures and often of calculating errors.

In 1988, according to the results of expert evaluations of 185 technical-economic substantiations and plans, the overall estimated cost was reduced by 13.8 percent. According to expert evaluation, these plans overstated the expenditure of metal and pipes respectively by 49,400 and 26,000 tons, of cement by almost 96,000 tons and of chemical drilling reagents by 26,000 tons. The estimated costs were unjustifiably overstated for practically all the plans appraised by experts. This indicates that the anti-expenditure mechanism is not yet operating in full force and not all the purchaser-associations and planning institutes are taking a serious and responsible attitude toward working out the planned solutions and meeting the requirements of increasing the economic effectiveness. Otherwise, how can one explain that, for example, for the plan of developing section III of the Fedorovskoye deposit at the Surgutneftegaz PO, fulfilled by Giprotymenneftegaz, the board of experts reduced the estimated cost by 18 percent, of section II of the Kalamkas deposit (KaznIPIneft)—by 40 percent, and the wells of the Yuzhno-Yagunskoye deposit of the Kogalymneftegaz PO (BashNIPIneft) by 19 percent.

The quality of the planning-estimate documentation has not substantially improved. The plans incorporate obsolete technology, unverified technical decisions and frequently hurried and unreliable schemes. Giprovostokneft, VNIPIgazpererabotka, KazNIPIneft and the Soyuztermneft Scientific PO continue to issue poor-quality technical documentation.

As the result of the miscalculations permitted in the planning, project completing and work organization by Glavneftegazpererabotka, the Tengizneftegaz and Prikaspiyburneft associations failed to ensure the introduction of the first underway complex at the Tengizskoye deposit in 1988.

It was noted that each institute has a scientific-research section, which is obliged to prepare and ensure the issuing of planning decisions coming up to the world level. According to the estimate of the Main Scientific-Research Administration, however, only 3 percent of the developments of the sectorial institutes come up to this level.

There is also a great deal of underdevelopment in the formation of contract prices, which begins at the stage of drawing up the planning-estimate documentation and its

coordination with the contracting organizations. The associations and planning organizations often have an irresponsible attitude toward the formation of contractual prices.

As a rule, no search is made for local building materials, nor study of efficient transport systems. Quite often work that does not need doing is incorporated in the plans and estimates. As a result, after the contractual prices are introduced, the construction cost has increased by 10-18 percent, and for the oil field work specifically—18 percent.

Particularly great expense is permitted in transport shipments, the proportion of which, for example in Tomsk and Tyumen oblasts, exceeds the cost of the building materials by 60 percent. The speaker emphasized that the elimination of factors made more expensive artificially in the existing system of price formation and the objective establishing of construction cost in the future depend on how fundamentally and precisely the transport systems and other components of price formation in construction are determined.

Work is being done poorly on price formation in direct ties with the machine builders. Many enterprises do not confine themselves to the limit prices, as the result of which the cost of the equipment itself has already grown by 20-30 percent.

An important place in the development of the petroleum industry is held by drilling operations, which are the most labor-intensive, material-intensive and capital-intensive in the capital construction system (42 percent of the total capital investments). In 1988 the plan for drilling operations was 103.8 percent fulfilled, footage rose by 40 percent as compared with 1985 and was 41.6 million meters. Some 18,200 extracting and exploratory wells were built, including 1180 above the plan.

In 1986-1988 a turning point was marked in the organization of drilling operations, but many negative phenomena were not eliminated. For example, in 1985-1986 a decision was made concerning a reduction in the idle time of the drilled wells awaiting development, from 104 to 47 days. This indicated that Glavtyumenneftegaz had to reduce the number of wells found on the balance sheet of the drilling organizations per brigade from 5.8 to 4. Actually, in 1988 there were 5.6 wells per brigade, or about 700 wells above the norm. The Nizhnevartovskneftegaz, Kogalymneftegaz, Surgutneftegaz and Yuganskneftegaz PO have the largest number of above-norm wells on the balance sheet of the drilling organizations. The cost of these wells is about 200 million rubles, and their yield is over 10,000 tons of oil a day.

The productive time spent in drilling remains low, especially at the Tomskneft and Gruzneft PO. The task of reducing the estimated cost per meter of footage was not fulfilled. On the whole for the sector in 1988, as

compared with 1985, it rose by 16 percent, but was actually reduced by 3.5 percent. Similar disproportions were committed at Glavtyumenneftegaz, Kaspomorneftegaz, Ukrneft, etc.

The planning institutes had the tasks of reducing material consumption in planning the projects, including the wells, by 15 percent. According to the estimates, however, the consumption increased by 16.7 percent, and the drilling enterprises actually reduced the material consumption by 1 percent.

In 1986-1988, the footage per bit increased by 10.9 percent. At the same time, the technical indicators for drilling in the USSR are lower than the United States indicators. For example, in the United States the speed of constructing extractive wells is 3-fold higher, of exploratory—6-fold higher, and of footage per stock units—3-fold higher. The indicators for deep-well drilling particularly lag behind those of the United States.

Every year it becomes increasingly difficult to raise the technical-economic indicators only by means of the human factor. Its potentials are not unlimited, and therefore the problems of introducing new technology and of re-equipping are acquiring particular importance.

The sector's scientific-technical potential is quite good, but it has not yet been concentrated on solving actual drilling problems, such as improving the bits, bottom-hole motors, instruments and circulating systems for the flushing fluid. This important and necessary work has been entrusted to the direction of the Bureniye NPO, where the scientific and experimental bases and material and chemical reagent production facilities are concentrated.

B.A. Dinkov's report analyzed the state of fulfillment of the program to raise the level of utilization of petroleum-gas to 90 percent. In three years, in Western Siberia alone, a work volume totaling 790 million rubles has already been fulfilled, including 350 million rubles in 1989 [sic], which made it possible to extract 4 billion cubic meters of petroleum-gas above the goal in 1986-1988 and ensure the level of its utilization at Glavtyumenneftegaz by 71.4 percent, and on the whole for the sector by 74.5 percent. The level of its utilization in 1988, however, did not succeed in achieving the level assigned by the program. The losses of gas in the flares are not being reduced. The deadline for putting the Gubkinskiy GPZ and the first section of the Noyabrskiy GPZ into operation was not met. The plan for construction-installation work at four in-progress GPZ was only 45 percent fulfilled, and the year's program for construction of the Tyumen KS was only 70 percent developed. 1989 should become decisive in this problem, when 880 million rubles worth of capital investments are to be utilized and GPZ capacities and compressor stations are to be introduced in volumes considerably exceeding the level of the preceding years of the five-year plan.

The slackness in the sector's work on determining the resources and composition of petroleum-gas was particularly noted. The Udmurtneft, Orenburgneft and other PO closed down, at the territorial institutes, subject coverage on the utilization, precise definition and distribution of gas resources, and at Glavtyumenneftegaz the gas factor is evaluated at only 25 percent of the wells (of the norm).

In 1988 the construction rates were reduced for facilities for social purposes. For example, the goals for putting them into operation were not fulfilled for the following: apartment houses—59,600 square meters (3.2 percent), polyclinics—1130 visitors (37.2 percent), hospitals—340 beds (20 percent) and kindergartens—1300 places (8.5 percent).

At facilities in the social sphere, 27.4 million rubles for construction-installation work have been underutilized by the forces of the internal construction organizations. The greatest lagging behind in carrying out the social program was permitted by the Tengizneftegaz, Kaspormorneftegaz and Arkhtikmorneftegazrazvedka PO.

The attention paid to the construction of agricultural facilities has been slackened. For example, in 1988, the tasks established for construction of hothouses, cow barns, calf barns and greenhouses were unfulfilled by Glavtyumenneftegaz, Glavneftegeofizika, the Kombineft, Nizhnevolzhskneft and Orenburgneft PO, the Soyuztermneft NPO, and others. The sovkhozes and subsidiary farms in the Stavropolneftegaz, Embanef and Aktyubinskneft PO are working with poor efficiency. The councils of work collectives and trade union organizations are not displaying high principles in solving these important social problems.

The assignment to render paid services to the population was unfulfilled by 3.2 million rubles in 1988. The enterprises of Glavneftegeofizika, the Kaspormorneftegaz, Sakhalinmorneftegaz, Uzbedneft, Tomskneft PO and others have not reorganized their work in this direction.

The sector's organizations and enterprises are not paying enough attention to problems of accident occurrence, which is particularly high in transport, and to the ecological safety of petroleum extraction. Low-waste and waste-free technology is being introduced slowly at facilities in the sector.

Despite the reduction achieved in the reserve of uninstalled equipment on the whole for the sector, it is, as before, high at the enterprises of Glavtransneft, at the Kaspormorneftegaz, Tomskneft PO and elsewhere.

Many enterprises have not fulfilled the plan to mobilize internal resources, and are continuing to work according to old principles, in being guided toward obtaining additional materials and equipment.

Technically substantiated norms have not yet become the decisive factor in resource conservation. Many associations are not fulfilling the assignments for the sectorial Ekonomiya Program, and are doing poor work on utilizing secondary resources.

The report devoted a great deal of attention to the tasks of improving wages and raising labor productivity. At many associations the wage growth rate outstrips the labor productivity growth rate. For example, in 1988 the coordination rates were seriously violated at the Arktimorneftegazrazvedka (respectively 83.7 and 44.5 percent), Tengizneftegaz (129.1 and 70.2 percent) PO and the Soyuznefteotdacha NPO (129.6 and 104.9 percent). This situation is observed even in associations that have not fulfilled the plans for petroleum extraction. At Azneft, for example, the wages rose by 108.1 percent and at Sakhalinmorneftegaz, by 100.9 percent. While in extraction related to the introduction of new capacities and deterioration of mining-geological conditions, the coordination of wage and labor productivity growth rates cannot exceed 1, in the remaining subsectors, this is permissible. The situation is particularly unfavorable in sectorial machine building, where these disproportions have taken on a chronic nature.

In construction, in 1988 the labor productivity growth rates were 104.6 percent, and those of the average wage—109.6 percent. Here, over 70 percent of the associations permitted considerable disproportions. For example, at Glavtyumenneftegaz the labor productivity growth rates were 106.9 percent, and for wages 110.4 percent, and at Turkmenneft—respectively 100.8 and 107.9 percent.

The negative trend toward a sharp growth in the average wage without outstripping intensification of the effect of science on the production results was displayed under the conditions of cost accounting in the scientific organizations as the result of insufficiently substantiated use of increases in the wages of scientists and specialists. On the average at the institutes, wages rose by a factor of 1.5, and at VNIKRneft by a factor of 1.8, at VNIIBT and VostNIITB by a factor of 1.7 and at VolgogradNIPIneft by a factor of 1.6. At the same time, the substantial increase in the volumes of scientific research and experimental design work in 1988 does not reflect an intensification in the scientific research and experimental design work, as some of the directors of the scientific organizations feel. The reason here is concealed in the expenditure approach to the formation of prices for the scientific-technical output. The work of the scientific subdivisions studying the economic problem was criticized.

The attention of the Main Scientific-Technical and Main Economic administrations, the functional administrations of the ministry, the scientific-production and production associations and the scientific organizations of the sector was directed to these shortcomings.

In summing up the examination of the sector's state of development, the minister emphasized that in 1989 there should be stepped-up work on the further improvement of the sectorial economic mechanism and intensification of the economic principles of production organization. The sector should have no unprofitable enterprises. This is a requirement for the entire national economy. There are many ways to eliminate losses. The main one is not to look for permanent decisions, but to approach each problem individually, in a well thought-out manner. It was proposed that active preparation be made for the transition to the second model of cost accounting, that wide use be made of lease relations in auxiliary production and the social sphere and that cooperatives be developed. Other problems of improving the sectorial economic mechanism were also discussed.

The sector is faced with great tasks in 1989. In accordance with the State order, some 602.5 million tons of oil must be extracted, and 7 million tons through centralized stimulated supplies. In connection with this, approval was given to the initiative of the work collectives of the Nizhnevartovskneftegaz, Yuganskneftegaz and Surgutneftegaz associations, who adopted heightened commitments for petroleum extraction in 1989. It was proposed that the directors of Glavtyumenneftegaz and the associations discuss as a group the problems of fulfilling the assignments by all the enterprises.

It is proposed that in 1989 the sector concentrate its attention on improving the use of existing capacities, eliminating nonproductive expenditures and increasing the stability and smooth flow of work.

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**Call For Increased Oil Production Questioned**  
*18220143 Moscow SOTSIALISTICHESKAYA*  
*INDUSTRIYA in Russian 18 May 89 p 1*

[Open letter from N. Lisovskiy, chief of the Main Geology Administration, USSR Ministry of the Petroleum Industry; M. Surguchev, general director of the "Petroleum Extraction" International Science and Technology Commission; Professor N. Krylov, director of the Institute of Geology and Fuel Resources: "The Myth of Fabulous Wealth: Should Petroleum Extraction and Export be Increased?"]

[Text] On 5 January the newspaper MOSKOVSKAYA PRAVDA published an interview with F. Salmanov, first deputy minister of the USSR Ministry of Geology, under the title "Is Our Wealth Being Depleted?" The very phrasing of the question on the condition of the raw materials base of the petroleum industry is timely and justified. It is generally known that we extract over 600 million metric tons of petroleum and natural gas condensate annually, and sell a significant portion of it abroad, causing alarm for the future, even among lay

people. F. Salmanov's assertion, unsubstantiated by any serious conclusions, that "our country is fabulously rich in petroleum and gas" sounds odd against this background, and creates a false impression of unlimited resources of valuable fuel and chemical raw materials.

The hypothesis of the supposed "fabulous" wealth of our mineral resources, which were controlled by central planning organs for many years, served as justification for the extensive development of the branch. Fixation on it led to a lag in petroleum machinebuilding, petroleum processing, and chemistry. The negative effects of this shortsighted policy are obvious. It is enough to recall the difficult downturns of the petroleum industry in the recent past.

Is the picture of the state of the raw material base for petroleum extraction as rosy as it was painted by the geologist-petroleum specialist?

As earlier, F. Salmanov is basing his work on quantitative indices, remaining silent on the fact that the qualitative characterization of the reserves has undergone cardinal changes. Now the basic quantity of petroleum is extracted from the major deposits, the majority of which are in a phase of declining production. The preparation of new industrial reserves is connected to prospecting for primarily small sites with complex composition, requiring drilling to great depths, in areas with difficult natural and mining-geological conditions.

The deterioration of the structure of reserves is the fundamental cause of the reduction of economic efficacy of the work of the petroleum industry in the modern phase. This process is acutely manifested in Western Siberia in particular, where we observed a manifold (10-20 times) reduction in output at new deposits. It is difficult to understand how one can fail to see this and not draw the appropriate conclusions for working out a correct strategy for developing petroleum extraction.

Apparently it is nevertheless possible if F. Salmanov is so convinced that in 1995 production should be increased to 700 million tons. Allow us to inquire, on what basis? What supplemental capital investment and material resources are required for this "great leap," grounded in a genuine, and not a "fabulous" raw materials base? One looks in vain for the answer to these questions in the interview published.

Our technical-economic studies indicated that it is at best frivolous to set such a goal. Reaching the goal indicated would require a supplemental billion rubles, which the state budget, already running a deficit, is in no condition to allocate. It would be necessary to purchase many types of equipment, mechanical resources, and chemical materials in capitalist countries for foreign currency. Just where to get this? From the sale of that selfsame oil?

To follow the logic of F. Salmanov, that is just how it should be done. He has such an enthusiastic attitude toward petroleum export, which yields "five-fold income." Despite the fact that it would seem that the respected geologist, who has exhaustive information on the condition of reserves, should cast doubt on the advisability of selling petroleum in such great quantities. It would not be irrelevant to note that the primary petroleum-producing countries, in spite of their enormous proven reserves, conduct a policy of preserving their own resources since their value will grow in the future.

Exporting petroleum while importing foodstuffs and machine-building construction—this is the legacy of the "era of stagnation." In our view, it could be justified only as a forced measure, and is by no means acceptable as a fundamental factor for our economy. However much we want to believe in a "fairy tale," we must be aware that

petroleum resources are finite. From this follows the need for rational and economic utilization of fuel and energy resources, not unrestrained increases in extraction.

At least take a problem such as the depth of petroleum processing. Unfortunately, according to this index, we are inferior to the developed countries. As a result, an enormous quantity of crude oil goes for fuel oil. For many years we justified this by the existing structure of the energy economy.

But how then should the graph of "surplus heating oil production," which has appeared in reports at certain times, be understood?

Increasing the depth of processing to 80-90 percent, which is completely attainable, will allow a great increase in the yield of light refinery products, which cost 10 or more times more than crude oil. And the demand for them is not decreasing, but grows. It seems that such a path toward earning hard currency is far preferable for us.



### **LiSSR Trade Unions Debate Autonomy Within USSR Framework**

*18280150 Moscow TRUD in Russian 2 Jul 89 p 2*

[Article by social and political affairs writer Vladimir Pisarchik, Vilnius—Moscow: "The Matter Will Out..."]

[Excerpts] Published in the weekly LIYETUVOS PROFS-AYUNGOS (LITOVSKIYE PROFISOYUZY) was the program of the initial actions of the restructuring of Lithuania's trade unions, which had been adopted at the joint plenum of the republic's council and committees, which took place on the eve of May Day. [passage omitted]

#### **A Measure of Independence**

I had not been in Vilnius for almost two years. If one talks about external changes, they are not evident. It is true that the republic's national flag is flapping on Gediminas Tower in place of the union republic flag. But, indeed, it is no accident that a constituent congress of the international republic movement, Yedinstvo, which emerged as a counterbalance to Sajudis, took place recently. What about the rumors? What about the newspapers, which barely mentioned the fact that Lithuania has established a customs service at the internal borders? In a word, without being a hypocrite, I admit that I came to Vilnius with a certain alertness.

Of course, the impressions from a short trip to the republic can hardly be profound and it is precisely for this reason that the openness of the people I talked with and the goodwill of people I did not know turned out to be so important. All this is so—I am not lying. But I will not start smearing the lenses of my glasses: the problem of national self-assertion is currently on the minds of the majority of the republic's inhabitants. For all this, despite the fact that the discussion of the program of the Lithuanian trade unions' initial actions was interesting, it was also calm. The exception was caused only by the sixth point of the first section. I will cite it:

"The decrees and decisions of the AUCCTU and the Central Committee of the sectorial trade unions may have for Lithuania's trade unions only a recommendatory nature and are binding only after the approval of the republic's council and committees."

The drafting committee suggested it be adopted with somewhat different wording but the audience insisted on this wording and, having secured this, burst out with a storm of applause.

Let us try to reflect on this a little: what is the matter and what will happen now? We will begin with the answer to the second question.

We will note right off that the AUCCTU plenum has the right, if, of course, the question is submitted for its consideration, not to adopt this provision of the Lithuanian trade unions' program, as it contradicts the Charter of the USSR Trade Unions. Naturally, the plenum also has the right to adopt any other solution.

I personally, being somewhat pedantic, would vote for the first solution, in any case, until the existing charter is changed. I think that a more balanced proposal would be the one about revising the Charter of the USSR Trade Unions, inasmuch as there is sense in the very idea of an independent approach to problems and, indeed, only a few administrative solutions possess the quality of universal suitability for any local conditions.

It will be useful, perhaps, to recall that the AUCCTU, during the perestroika process, already by the present day, has taken a greater number of realistic steps for the protection of the workers' interests than Lithuania's trade union organs have. It is also possible to talk about the portion of national income targeted for consumption, which has been increased at the insistence of the AUCCTU, and about the subsidies for the production of inexpensive goods for children and pensioners. The AUCCTU has submitted to state organs proposals regarding the procedure for settling labor disputes and the abolition of so-called "blacklists"—the notorious No 1 and No 2 lists and others.

But, strictly speaking, this has no bearing on the matter at hand. It needs to be looked into.

First, to separate. There are decisions of the AUCCTU—the elective organ—in which, incidentally, the Lithuanian trade unions are represented on an equal basis. And there are decisions which are born in the depths of the AUCCTU apparatus. It is also well known that some of the latter actually cause trouble locally. But—obedience must be in the genes in the majority of us, probably, because they are carried out...

This is the very reason why I would personally reproach this obedience and support the "sixth point."

Second. Today, to a certain degree, the leaders of the Lithuanian trade unions' council and committees are not free in their own actions. The majority of the republic's trade union workers know well the phrase expressed by one of the leaders of the "Worker's Union." It goes something like this: "It is clear to everyone that the trade unions have sinned. But, whether or not these sins are mortal ones—we shall see from the trade unions' conduct."

"If we want to survive, we should remember thus constantly," as L. Kvetkauskas confessed to me frankly.

It would be bragging not to take note of the fact that the ideas of some of the Sajudis supporters regarding national independence—and not just economic independence—are circulating in the republic and this can not be disregarded by Lithuania's trade union workers in their own activities.

A day after the plenum, I put a direct questions to L. Maksimovas, the chairman of the Lithuanian Republic's Trade Unions Council:

In my opinion, the sixth point of the adopted program is a concession to the informals. Indeed, internationalism is intrinsically characteristic of the trade unions. To the worker, it is all the same, what kind of bureaucrat pressures him—a Lithuanian or one from the "center"...

It is necessary to state that, at the plenum, this thesis was illustrated by R. Maslaukene, a member of the republic's communications workers trade union committee. She said: "I support the proposal regarding the trade unions having the right to suspend the decisions of the state organs. Here is an example. The communications workers lost 45 million rubles of profit because of the decree of the republic's government about limitations on the goods which may be sent parcel post. But why should the communications workers suffer? Then let the government compensate us for our losses."

But, we will return to L. Maksimovas.

In answer to my question, Lenginas Kirillovich talked about the fact that those who worked out the program, in general, did not fix attention on this point and, to some degree, were even taken back by the degree of significance it was given by the plenum's participants.

"Although," he acknowledged when we had already said our goodbyes, "you are probably close to the truth."

On the other hand, I think that L. Maksimovas is correct in stating that the program's central point is not the sixth one.

Today, the trade unions are being accused of all the deadly sins. Where they are truly guilty and where the accusations are absurd is a theme for a separate discussion. But, it is evident that the difficult period of self-cleansing for the trade unions and the basic restructuring of their activities is still far from over. And, as life shows, you cannot make the distinction, as they say, that the trade union functionaries in Moscow are bad and the ones in Vilnius are good. A fresh example which speaks for itself. One of the recent department chiefs of the AUCCTU, A. Silin, as a result of the competitive elections, became chairman of Latvia's Trade Unions Council.

As a journalist who specializes in the theme of trade union affairs, I can state with certainty: Because the plenums of the trade unions' councils and committees are now being conducted in the national languages in many regions, affairs in the local organizations, unfortunately, have not

turned out better. The problems generated by the removal of state control over the trade unions and their years-long subordinate position are approximately identical everywhere and differ only in particular details. And the goals, regardless of the "place of registration" of the trade union workers, are the same in principle. For this reason, I think that the path to renewal has no forks in it.

And, in my opinion, all the same, it is not a matter of one or another of the points in the document adopted by Lithuania's trade unions. I think that L. Kvetkauskas was 100 percent correct when he said approximately so at the plenum:

"It is not a matter of the routine program. There were many of them—and good ones! The main thing is to carry them out and not attempt merely to paint the rusting bureaucratic vehicle a new color..."

This is, apparently, where the central direction of the reflections and searches is...

#### Goskomstat Handbook on Living Standards Published

##### Handbook Reviewed

18280137 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 21, May 89 p 17

[Review by Ye. Kapustin, corresponding member, USSR Academy of Sciences, and L. Rzhantsyna, candidate of economic sciences, of book "Sotsialnoye razvitiye i uroven zhizni naroda" [Social Development and Standard of Living], USSR Goskomstat, Moscow, 1989: "Disclosure of Timely Information"]

[Text] It has become customary to level reprimands at statistics because they used to "varnish" our life and preserve secrets under the cover of which considerable sums of money were squandered on "projects of the century," the deficit in the state budget increased, while the foreign debt and technological lag also grew. We were also critical because the statistics did not have at their disposal data concerning the entire multiplicity of our reality, and if they knew more than we thought, they did not talk about it. These complaints are understandable because the present-day interest in practical information requires from statistics a greater boldness in elucidating the problems involved, as well as a greater frankness and accessibility.

An important step on the path to glasnost has been taken with the publication of the collection of statistical materials entitled "Social Development and Standard of Living," as brought out by USSR Goskomstat [State Committee for Statistics] (Moscow, 1989).

The volume of information presented therein is much more extensive and interesting than the information about social problems in the traditional annual entitled "The USSR National Economy in the Year...", wherein only brief data used to be reported, and the principle employed in selecting this data was not always clear. But the main thing is that the new collection provides statistics not about some sort of "averaged-out person," but about our contemporary in his complex and diverse existence.

Published here for the first time are data concerning the distribution of workers and office employees, as well as the population as a whole, by the amounts of wages and per capita incomes received; such information was formerly not accessible even to specialists. This data is extremely important and necessary for scientific research. At last we can gain a picture of how many people in the country are receiving low, middle, and high wages, and what is meant by the very terms "low-, middle-, and high-income family or person."

The collection presents a picture which is fuller than usual of the social characteristics of the population; it provides a gradation of the working and non-working population, as well as data withing these gradations—about pensioners, women, pupils and students. Cited here for the first time is data about the absolute amounts of per capita incomes of the families of workers and office employees, as well as kolkhoz members, including urban and rural information, along with data about age, sex, state of health, etc.

It is likewise gratifying that information has appeared here about the amounts of actual consumption of food products and consumer goods in the families of workers, office employees, and kolkhoz members in specific terms (formerly, data was cited on a per capita basis, and, therefore, a number of serious features were leveled out).

The pages of the collection devoted to problems of consumption and prices are timely. In our opinion, they will evoke interest among a wide circle of readers, inasmuch as all of us are consumers in one way or another. Although the final procedure for measuring the price index and the cost-of-living index has not been approved, the process of moving forward along these lines may be clearly traced. The average prices for various items have been published, while changes in the sphere of state goods turnover, cooperatives, and the kolkhoz market have been expressed more clearly.

This collection has also reflected the negative phenomena of our life, and this makes our conception of reality more complete and truthful. Thus, it has cited data on crime, alcoholism, unearned incomes, and other anti-social phenomena which statistics have previously "not taken note of."

In short, it may be said that this new collection of statistical material has begun to fill in many "blank spots" in economic, financial, commercial, and other practical information.

We would like the positive tendencies manifested in this collection to be strengthened in its subsequent editions. It is important that events and facts be not simply registered but also compared with our plans, forecasts, and norms; that they contain a qualitative appraisal.

It would be a good thing to deepen the social picture of our life, particularly with regard to women, youth, and young families, as well as children, all the more so in that the statistics organs conduct investigations of these categories of the population, and they have the necessary materials at their disposal.

We should also, most likely, give some thought to making sure that the information about the life style, consumption level, and income of various social strata of the population allow us to study the problems systematically. Together with this, we need to know how, for example, miners, writers, leaseholders, cooperative members, and other occupational groups live. Or how wages and incomes are changing for persons who have converted to new forms of economic management.

It makes sense to return to statistics the index of real wages as one of the most important ones in assessing the level of the living standards under the new conditions of economic management and the operation of the economic reform.

Also requiring research studies are the new processes which have begun to appear during recent years in our economy and distribution relations.

On the whole, the publication of this collection is an event which is not only notable but also timely, for it has coincided with the preparations for the Congress of USSR People's Deputies, at which the deputies will be confronted with the task of working out solutions on the basis of very careful analysis.

#### Worker Income Figures

18280137 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 21, May 89 p 17

[Table: Personal Income; Based on Data from the USSR Goskomstat [State Committee for Statistics]]

[Text]

#### Per Capita Aggregate Family Incomes of Workers, Office Employees, and Kolkhoz Members<sup>1</sup> (Based on materials gathered from investigations of family budgets)

	1975	1980	1985	1987
Aggregate annual income per family member, in rubles:				
workers and office employees	1256	1454	1625	1720
including:				
industrial workers	1385	1625	1799	1868
sovkhoz members	950	1123	1304	1391
kolkhoz members	877	1089	1324	1376

**Per Capita Aggregate Family Incomes of Workers, Office Employees, and Kolkhoz Members<sup>1</sup>**  
(Based on materials gathered from investigations of family budgets)

	1975	1980	1985	1987
Average per capita aggregate income of kolkhoz members as a percentage of that of:				
workers and office employees	70	75	81	80
in particular:				
industrial workers	63	67	74	74
sovkhoz members	92	97	102	99

In 1987 the number of persons with average per capita incomes exceeding 100 rubles a month grew by a factor of 1.4, compared to 1980, while those with incomes exceeding 150 rubles grew by a factor of 1.9.

**Footnote**

1. Aggregate family income comprises the sum-total of monetary and physical (in monetary terms) incomes from state and cooperative enterprises and organizations, from kolkhozes, private, auxiliary farms, as well as payments and privileges obtained from public consumption funds which are counted in the family budget.

**Improvements in Social Insurance Needed**

18280142 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 22, May 89 pp 17-18

[Interview with Valentin Dementyevich Roiko, candidate of economic sciences, head of the sector for working conditions of the Scientific Research Labor Institute, by V. Golovachev: "The New Points of Support of the Social Insurance System"; date and place not given]

[Text] Every year, 20 percent of people who quit in the country's industry and 25 in construction do so because they are dissatisfied with the working conditions. One out of every four illnesses is caused by poor working conditions, this is equivalent to losing 250 million man-days; in other words, it is as though 1 million workers took a year off.

According to calculations of specialists, the direct expenditures for benefits and compensation and also the losses because of temporary and permanent disability, personnel turnover related to the impact of bad working conditions, amount to more than 30 billion rubles a year. Take an example: just one case of pneumoconiosis cost the state 30,000 rubles, and a case of vibration disease approximately 11,000.

[Golovachev] Valentin Dementyevich, it is no secret that adverse working conditions of millions of workers are still being created in the design of enterprises and new technology.

[Roiko] As a matter of fact, that is no longer a secret today, but who has an easier time because of it? According to data of the AUCCTU and USSR Gosstandart, 1 out of every 3

projects, 1 out of every 4 enterprises activated, 8 out of every 10 units of equipment manufactured fail to meet workplace health and safety standards.

It is paradoxical, but a fact: those immense economic losses which the economy incurs because of design deficiency have practically no effect on the economic condition of collectives of developers and manufacturers of equipment.

[Golovachev] Yet in this area we presumably do not have to "reinvent the wheel"? Surely, it is possible and necessary to borrow many elements of foreign experience. In recent years, the U.S. Congress, for example, has taken up a number of bills to tighten the responsibility of firms manufacturing equipment in order to guarantee health and safety standards for the consumer. One of them proposed establishing the maximum amount of the fine (if a healthy worker is injured) at \$100,000.

Another similar bill entitled the injured person to recover the loss incurred from the manufacturers and designers in an out-of-court settlement. In case of a serious mutilation or loss of a breadwinner, the family has the right to obtain a lump-sum additional benefit.

[Roiko] I am convinced that no opponents to such a proposal will be found in our country: a powerful economic lever would be set in motion. And this would guarantee the financial liability and motivation of designers and manufacturers to produce truly new and safe equipment. It is surprising that Goskomtrud and Gosstandart, the latter with its state acceptance at the local level, shy away from this problem. Perhaps after our interview, USSR Gosstandart will turn attention to the problem that came to a head long ago of the manufacturing of equipment that guarantees unsafe work.

Surely, it is time to tighten legal penalties as well toward those who violate social standards and norms. In many respects, there are no teeth in the expert evaluation of designs that is in effect today. If it is to have any "bite," there has to be an increase in the accountability of state agencies which bear that responsibility: Minzdrav, Gosstroy, Gosstandart, and certain others. Help in this area could come from the all-union and branch registers, including a list of equipment that does not meet the standards of workplace health and safety. They do not

exist at present. The work of agencies for expert evaluation should have been assessed long ago with respect to the rate of reduction of production of such equipment. I am convinced that there would have been far less conformism.

[Golovachev] But the fact that working conditions are not taken into account in the design of equipment seems to be only one aspect of the problem. Another is the present system for managing benefits and compensation for work under such conditions. If an occupation, say, or a production operation happens to be on a list that qualifies for benefits, the worker does get them. Regardless of the actual state of the working conditions at particular work stations. EKONOMICHESKAYA GAZETA has already written about the harmfulness of this practice, incidentally, and I will not repeat it....

[Roiko] I agree with the newspaper's article. The present system not only does not encourage work to improve working conditions, but on the contrary, it motivates enterprises to "preserve" adverse conditions. After all, this affords them the basis, if they do not give particular thought to making work stations healthy, to obtain benefits which ultimately come from the state budget (paid for also by those who do not file for such benefits).

Those are the roots of an apparent paradox—as the outlays increase for improving working conditions, why is it that the number of workers receiving benefits is increasing? Today, they are going to half of the workers in industry. Total expenditures for benefits have more than doubled over the last 10 years in our country and amount to about 13 billion rubles per year.

[Golovachev] In spite of such a glaring contradiction, at the last trade union congress there was a glowing report on improvement of the working conditions of 15 million workers during the 11th FYP. But then the question arises: Why has there not been a drop in the number of those working in harmful conditions? The congress did not provide an explanation on that point.

[Roiko] There is another thing I would mention. The present system of benefits and compensation is generating serious deformations in the attitude toward work and working conditions on the part of the workers themselves. Some of them sacrificed their health, frequently in full knowledge of it, in order to get additional earnings or a preferential pension. It has even become an attitude: "Even if the working conditions are harmful, the pension is good."

[Golovachev] Enterprises have to be forced to take financial responsibility for a product they produce that is dangerous for those who work with it. At the same time, it is the enterprises or the branch trade unions that must pay for the consequences of adverse working conditions that have affected the health of the workers out of their own pocket, not out of the pocket of the state.

I think readers would be interested to know how the funds are formed for social insurance.

[Roiko] The procedure is simple. All enterprises without exception transfer money at the rate of between 4.4 and 14 percent of the wage fund into the social insurance fund of their trade union organization. If more funds are transferred than is required to pay for those on "sick leave," then the remainder goes along the "chain" of branch trade union committees to the AUCCTU. If an enterprise does not have sufficient funds, then the superior trade union committee provides additional funds to the one at the lower level. That is, the workers of enterprises seek "their own" money only in "exchange" for sick leave certificates. Disability pensions, occupational diseases, and preferential payments are all financed from the center. And the most amazing thing is that the rates of insurance deductions do not depend in any way, I repeat in no way at all, on the state of working conditions in the particular production operation.

It is interesting that in the advanced countries the social insurance system is closely related to the level of working conditions in production. The rates of deductions for social insurance are regularly revised and depend on the degree of risk involved in working at a given enterprise, the number of cases of accidents, occupational diseases, disability, and other causes. The better the working conditions, the lower the rate of the deduction.

Many people are probably also interested in the specific procedure for forming insurance deductions in those countries. For all the differences, the scheme is as follows. First of all, the deductions for social insurance are built up separately for each worker. They consist of the resources paid in directly by the workers themselves, by the employer, and by the state. For example:

#### Worker's Deductions, Relative to Wages, in percentage

Types of Benefits	By the Worker Out of Wages	By the Employer Out of Profit	By the State Out of the Budget
Old-age	9.0	9.0	0.5
Illness	1.5	1.5	0.1
Accident	—	1.5	—
Unemployment and so on	0.5	0.5	0.1
6-8 components in all			
Total	15-16	15-16	2-5

Thus, the monthly social insurance deductions average 30-40 percent of the worker's earnings. It is of considerable importance that use of the money is earmarked: if a man becomes ill, then the funds are spent under the head of "In case of illness." But only when the funds are lacking do various redistributive mechanisms come into play.



[Golovachev] But even in our own country, after all, we had interesting experience in this respect back in the twenties and thirties. Indeed, the procedure that was in effect was far more progressive than the present one.

[Roiko] Very well, let us think back. Legislation had at that time established differentiated rates of insurance contributions and schedules for different enterprises and economic operations as a function of how dangerous and harmful production was. Some production operations had a preferential schedule. Enterprises that partly insured their own workers were given lower insurance rates.

[Golovachev] What did all that look like in numerical terms?

[Roiko] The normal insurance rate was 16-22 percent of the wage, and the preferential rate was 10-14 percent. For those who were partially covered at the normal rate, it was between 6.6 and 9.1 percent of the wage, and for those who were partially insured at the preferential rate it was between 4.3 and 5.8 percent.

[Golovachev] It would seem that we could even borrow some elements of our own past experience. Just take the cooperatives. The editors receive quite a few letters from cooperators about social insurance deductions. Here is one of them. "If social insurance funds were credited to the oblast trade union council," writes S. Aledort of Odessa, "then for those cooperators whose principal job is in state enterprises those funds are wasted, you see. The oblast trade union council pays neither the pension nor the sick leave card for cooperators—everything is provided us on the basis of our principal job. Wouldn't it be better to leave the social insurance deductions in the cooperative's accounts? And they themselves will handle them." What would you advise as an answer to the cooperator?

[Roiko] One could, of course, argue with the author of the letter. For example, what about those workers for whom work in the cooperative is their principal job? Who will pay a pension, a pension lasting to the end of his life, for a worker's disability if he has been mutilated in a cooperative and was working there on the side? And there are quite a few such "buts" that one might put. It is another matter that the present social insurance system lacks flexibility. This is precisely where the experience in the twenties and thirties comes in. Social insurance deductions might be established for those workers whose principal activity takes place in a state enterprise, for example, at a lower level than now: after all, they already do have a certain social protection. It is also important to make social insurance deductions dependent on the degree of risk and the hazards involved in production in the cooperative.

[Golovachev] As far as I know, a reform of insurance schedules is now being prepared, in fact there is already a draft of it. And here is what I have been able to learn

from L. Yegorova, chief of the subdivision for financing social security of USSR Minfin. "The new insurance payment schedules," she reported, "are not related to the working conditions, hazardousness, and harmfulness of production. The main thing that changes is their level. The highest rates are practically twice as high as the lowest. The profitability of the branches is the basis of the revision and increase of the rates."

[Roiko] The rates probably do have to go up. But, after all, the lack of a close relationship between working conditions and social insurance deductions is leveling in its purest form. What is more, how can rates be established for entire branch trade unions, when practically every one of them includes enterprises with utterly different working conditions?

[Golovachev] I even asked Lyudmila Alekseyevna about that. Her answer came down to saying that the contradictions do actually exist.

[Roiko] The procedure of deductions into the social insurance fund is a simple one at the present time. But does that simplicity give us anything in return? No. And they understood this as far back as 60 years ago. One of the theoreticians of social insurance in those years, Z. Tettenborn, wrote in her book "Sovetskoye sotsialnoye strakovaniye" [Soviet Social Insurance], which came out way back in 1929: "A uniform insurance schedule, which is appealing because of its simplicity and clarity, can hardly be implemented in our country now, however, when we have exchange and market relations."

[Golovachev] So what kind of procedure for management of working conditions would be more acceptable in your view?

[Roiko] First of all, at the state level it would be logical to establish a uniform rate of deductions into the general social insurance fund for all branches of the economy. Old-age pensions, sick leave for general illnesses, patient care, pregnancy and childbirth would be paid out of it (regardless of the occupation the worker is in).

[Golovachev] Which means going back to leveling?

[Roiko] By no means. It is advisable to create branch trade union social security funds in order to take into account the branch peculiarities of working conditions. They should be formed over and above the state social insurance fund. To be sure, this does not eliminate the danger of their being used by the trade union leadership "for other than the stated purpose," as an "injection" for stragglers. But I am convinced that under the conditions of expanding democracy and glasnost that danger can be avoided. Those funds have to be formed with additional deductions from enterprise profit. The size of the additional deductions must be in proportion to the number of persons working under the adverse conditions and receiving benefits. The purpose of such a fund is to compensate the consequences of the adverse working conditions typical of a given sector of the economy, to

pay preferential payments on List No 1 (before attainment of the right to a pension on general conditions), to pay disability pensions because of occupational diseases and accidents in the workplace.

As for the enterprises, they should have a social security fund. But it would, of course, be different from the one that exists now. It would differ first of all in that it would be used to cover all expenditures related to accidents and occupational diseases, worker accidents, including payment for sick leave. Payment would be made from it for preferential pensions on List No 2 before qualification for a pension on general grounds.

I also feel that in setting the charge on labor resources we need to take into account the number of persons working under adverse conditions and receiving benefits and compensation, as well as the level of the general morbidity rate. At enterprises where the level of the working conditions is worse than in the branch as a whole, the charge on labor resources must, of course, be higher. The funds collected in this way could be placed at the disposition of health care agencies, for example.

Such a procedure, I am convinced, would force enterprises to be really concerned about making work better and safer, not "scrambling" for benefits.

#### Mortality Rate of the Population by Cause

Number of Deaths by Cause	Thousands		Per 100,000 Inhabitants	
	1987	1988	1987	1988
Diseases of the circulatory system	1574	1605	556	562
Cancer	453	464	160	162
Accidents, poisoning, and injuries	249	270	88	94
Diseases of the respiratory organs	223	223	79	78
Diseases of the digestive organs	81	81	29	29
Infectious and parasitic diseases	60	58	21	20

Following a brief reduction, the mortality rate from accidents, poisoning, and injuries rose once again 7 percent between 1987 and 1988.

The situation and problems in workplace health and safety and safety techniques has also been covered in the articles "An Avalanche of Accidents" (No 39, 1988), "Send a Commission and...Ascertain the Harmfulness" (No 40), "How Much Does an Injury Cost?" (No 47), "Testing for Tolerance" (No 52), "Injury" (No 7, 1989), and "Priorities and Morality" (No 13), etc.

#### Politizdat Publishing Guidebook on Co-op Regulations

18280154 Moscow TRUD in Russian 8 Jul 89 p 4

[Unattributed article: "Everything About Cooperatives"]

[Text] *Many laws and instructions on the activity of cooperatives have been issued. Is there some kind of "guidebook" for this sea of documents? (N. Kirsanov, Nizhniy Tagil)*

Politizdat provides an answer.

Such a "guidebook" will be issued by our publishing house in September of this year with a run of 200,000 copies under the title "Cooperatives and Leasing. A Collection of Documents and Materials."

Along with party and government decrees and decisions on the development of cooperatives and leasing, the collection will include basic normative acts, departmental instructions, legal and financial circulars, price lists, and instructions for business documentation (financial accounting forms and others). These are basically the documents which have been worked up and are currently in force. Those existing earlier have been renewed taking into account the new economic practices. For example, included are several articles from the RSFSR Criminal Code and the RSFSR Code on Administrative Violations which define the responsibilities of cooperative and lease contract workers (articles on entrepreneurship and middleman activities, responsibility for concealing income), as well as their rights and guaranteed protection from any kind of infringements (articles on extortion).

As a whole the collection can become a great help both for cooperative workers as well as for those involved in lease contracts.

## TECHNOLOGY ACQUISITION, ASSIMILATION, COOPERATION

### Soviet-West German Venture Produces Microcomputers

18230064 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 15 Jul 89 p 2

[Article by N. Yakovlev: "Ivanovo Computers"]

[Text] "Microcomputer System" is the name given to the joint enterprise between the Ivanovo Scientific-Production Association "Informatika" and the West German firm "Tebimpex GmbH." The enterprise will produce personal computers and local computer networks. Comprehensive training of specialists to service the modern program complexes is also planned.

### Machine Building Ventures With Bulgaria Viewed

18230062 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 5 Jul 89 p 3

[Interview by V. Vasilyeva with Aleksandr Trifonov, deputy chairman of the Bulgarian "Heavy Machinebuilding" Association: "Your Science, Our Experience"]

[Text] "This combination will allow us to achieve the greatest successes in the business cooperation of our two countries," says Aleksandr Trifonov, deputy chairman of the Bulgarian Heavy Machinebuilding [Tyazheloye mashinostroyeniye] Association.

[Question] Aleksandr Petrovich, as is known, Bulgaria and the Soviet Union are long-time partners. Our economic cooperation has deep traditions and its forms vary from trade and exchange of goods to joint enterprises. What are the specific features of today's business contacts in the area of machinebuilding?

[Trifonov] Up until now production relations, which I would define as coordinated associations, predominated. Entering into such relations, enterprises coordinated plans, exchanged sets of equipment and produced a common machine. But at the same time each one of them maintained its juridical independence. It seems to me that such forms of cooperation, very useful at a specific stage, have today exhausted themselves. A number of hard to solve problems arose under them, in particular with price formation. Now, in my view, when the economy is becoming more open, and enterprises are adopting economic independence, international associations based on joint ownership are much more effective. In this case the responsibility of the partners grows, as well as their interest in obtaining a common product, economically advantageous for both sides.

We have the prerequisites for such industrial cooperation. Soviet machinebuilders have obtained interesting scientific developments, but their experience in mutual

activity with foreign markets is small. Bulgaria, to a significantly greater degree, traditionally depended on international ties. It is sufficient to say that 80 percent of our national budget is formed from trade with other countries. Therefore, we have greater flexibility and know how to react quickly to the demands of the market, and without delay to create and sell new equipment. I think that we would be able to augment one another successfully, combining our advantages.

[Question] Are there examples of such cooperation?

[Trifonov] Yes. In particular I can cite the experience of the international scientific-production association "SELTO." The leading ideas of Soviet scientists and designers have materialized in joint production of special technological electronic equipment. In the past year the association produced products worth R10 million and the current output has increased more than five-fold.

Joint production of modern types of excavators is developing successfully. On the Soviet side the Voronezh production association "Tyazheks" is participating, and on the Bulgarian side the "Heavy Machinebuilding" firm in Ruse. Next year the output of 30 excavators is foreseen, and by 1995 their production will increase to 400-500. In all, today five Bulgarian-Soviet scientific-production associations have been created and preparations are going on for organizing 12 more joint enterprises in the near future.

In a word, the basis for joint activity is large. What brings about difficulties? Perhaps, insufficient information about each other's capabilities. Now it is time not simply to find partners. I think that in order to speed up the process of drawing closer in the sphere of machinebuilding it is necessary as quickly as possible to set up an intensive exchange of information.

[Question] In the Bulgarian as well as the Soviet economy a radical restructuring and a democratization in the management of economic activity has been going on in recent years. Is the creation of your association a result of these processes?

[Trifonov] Most directly. We were organized in November of 1987 for coordinating scientific-technical investment and market policy in heavy machinebuilding. We see our task as creating a link between state interests and the interests of production collectives. Since April of this year a firm-style organization of the economy is being introduced in our country. Therefore today we speak not so much about an association, but about the Heavy Machinebuilding complex. It is made up of 30 independent subunits—firms. Their rights and possibilities for both foreign economic activity and for the domestic market have been broadened. Regarding the association, it is retained as a democratic form of managing the complex. We do not plan the firms' work, we do not give

them any kind of instructions or directions. Honestly speaking, they would be completely able to work without us. Nonetheless, today the need for the association is dictated first of all by the need to protect the interests of the state, to create a harmonious economy. In addition, we help the firms train modern managerial personnel

and to establish contacts with suppliers, and we act as a guarantor when they get loans from Vneshtorgbank.

Modern forms of managing the economy have not yet revealed their full potential. In our country, as in yours, a search for optimal solutions is going on. We can also strengthen our relations along this path.

## CIVIL AVIATION

### Ruslan Aviation Firm Created

18290184 Moscow PRAVITELSTVENNYY VESTNIK  
in Russian No 9, May 89 p 7

[Article by V. Vernodubenko, TASS correspondent—especially for PRAVITELSTVENNYY VESTNIK: "The 'Ruslan'—A Reliable Firm"]

[Text] The designers of the OKB [experimental design bureau] imeni O.K. Antonov have had this idea—creating an economically independent aviation firm at the Kiev Machine Plant—for several years. They predicted the sphere of activity and the transport volumes, and painstakingly calculated the possible expenditures and revenues, including those in hard currency. After examining the substantiation, the USSR Council of Ministers gave the appropriate orders.

In accordance with this document, the economically accountable firm will render transport services for international airlines, under contractual conditions with Aeroflot and foreign companies. Transport will also be implemented for our country's national economy. They decided to call the new firm "Ruslan", after the AN-124 airplane, developed in Kiev.

"It may seem strange, but the Ruslan firm, officially not yet in existence, has already made a profit," says its director, A. Bulanenko, deputy chief designer of the OKB. "The point is that our aviators are not only testing the new planes, but are constantly performing complex and very labor-intensive operations to deliver freight both within the country and abroad. Moreover, many of the transports are unique. For example, when it was necessary to deliver a huge turbine, for a GES under construction, from Kharkov to Central Asia, only the pilots of the OKB imeni O.K. Antonov could perform the task successfully.... Our AN's are our children. We created them, and so we know them better, know how to handle them and how to load them."

When the effects of the earthquake in Armenia were being overcome, the pilots of the OKB at Ruslan delivered to Yerevan a fully assembled hoisting crane weighing 120 tons. This operation would have been impossible even for the largest Western air freight plane—the American SI-5. The flights of our aviators to drifting stations located in the Northern Arctic Ocean, when under the conditions of the polar night the AN's landed directly on the ice, delivering cargoes necessary to the polar workers, are known far beyond the limits of the USSR. Recently the Kievans again flew to the Far North, to take Japanese television reporters to the new Soviet drifting station Severnyy Polyus-31, to take pictures there. The other day the Kiev test pilots performed, on the AN-124 plane, the Kiev-Vittoria-Baghdad-Kiev run, delivering cargoes ordered by Iraq.

"The future of the firm inspires optimism. Today there are no airplanes in the world except ours that are capable of fulfilling many orders. We have a full portfolio of offers to transport the most varied air cargoes," says A. Bulanenko. "One of them—from a Western firm—is quite unusual. It is machine building equipment weighing 120 tons, packed in a huge metal container. Many other interesting and profitable offers could also be mentioned, both from the business world in the West and from Soviet ministries and departments. The first two orders have already arrived to carry out transport on the most powerful airplane in the world—the AN-225 Mriya, created at our OKB. The new air giant has special external pods, which make it possible to attach to it not only heavy, but also simply outsize cargoes."

If necessary to perform some major order, the firm can attach all the subdivisions of the design bureau, converted beginning this year to economic accountability, as well as all the airplanes at its disposal, including such modern high-speed craft as the AN-74, which displayed outstanding flight qualities during tests this year in the Antarctic.... The OKB thus has additional sources for supplementing its financial resources.

It would appear that there is not a cloud in the sky above the newly created Ruslan firm: you succeed in fulfilling the orders and you earn currency. Certain difficulties have appeared as early as the organizational stage, however. In order to surmount them, the firm's directors propose offering the possibility for the new economically accountable organization to conclude transactions with foreign firms independently. After all, under the conditions of the stiff competition formed in this field in which the firm is working, efficiency will only help business.

They check every transaction thoroughly at the firm. Anatoliy Grigorevich would have cited the figures attesting to how profitable the transport was. This cannot be done, however, just as his future purchasing partners cannot be named: it is a commercial secret.

The economically accountable bases of the firm's work make us thoroughly realize how it is best to do business, in order to earn for oneself and bring profit to the state.

### An-72 Light Transport Profiled

18290181 Moscow GRAZHDANSKAYA AVIATSIYA in  
Russian No 5, May 89 pp 21-26

[Article by An-72 developer V.M. Zayarin: "The An-72 Light Transport"]

[Text] The OKB [Experimental Design Bureau] imeni O.K. Antonov specializes chiefly in the creation of cargo aircraft. The An-72 short takeoff and landing [STOL] light transport aircraft is a representative of this series, and the design features of the new aircraft are described by one of its developers, V.M. Zayarin.



Over the 40 years of existence of the OKB imeni O.K. Antonov, a whole family of aircraft with the letters "An" on the fuselage has been created within its walls—from that widely known multi-purpose long-time resident of the skies, the An-2, to the An-225 "Mriya" heavy-lift jet aircraft. The achievement of good takeoff and landing properties for the aircraft with maximum reliability of design and simplicity of the aircraft for the operating conditions has been deemed the chief mission of the work of the collective. These qualities, in our opinion, are characteristic of the An-72, a representative of a new generation of transport aircraft. It is intended for the transport of cargo and people.

The creation of the An-72—a new class of aircraft—required that the design bureau perform a great deal of planning and experimental research beforehand on the aerodynamics, design, technology and systems of the new plane along with the creative utilization of experience accumulated over many years.

Efficient high-lift devices and an enhanced thrust-to-weight ratio make it possible to operate the An-72 from short airfields (runway lengths of just 600 meters) and unequipped aprons. The original design of the landing-gear struts combined with low-pressure air-filled tires provide for the reliable operation of the An-72 aircraft on soft dirt, gravel, ice and snow airfields.

The configuration of the power plants over the upper surface of the wing provides for a marked increase in lifting power through the airflow over the wing in the area of the center-section flaps from the exhaust-jet gases of the engines (the so-called "Coanda effect," discovered in 1910 by the Rumanian aerodynamic engineer and designer Henri Coanda). The first use of this method of raising the bearing properties of the aircraft, new to domestic aircraft construction, required the careful development of parameters for the whole "engine—wings—flaps" system on test stands and in wind tunnels. The most advantageous parameters were found as the result of intensive inquiry.

This configuration also practically rules out extraneous items getting into the air intakes of the engines and considerably reduces the noise level both on the ground and in the cockpit. Even when the engines are running, the noise level is so low that the pilots converse without aircraft intercom devices. This is important for the crew, which has to fly for many hours running.

The An-72 is a multi-purpose aircraft. It can be used for the transport of cargo of up to 10.5 tons (the possibility of dropping cargo by parachute has been envisaged), as well as in ambulance and other versions.

The cargo version is the basic application of the aircraft. The dimensions of the loading door and the cargo bay provide for the shipment of cargo in containers, bales or barrels or on skids, as well as towed and self-propelled vehicles. The cargo door is of an original design and is

located in the tail section of the fuselage. The hatch opening is closed by a ramp that lowers to the ground and serves as a loading ramp for various cargo, and is rolled under the fuselage for the dropping of cargo by parachute or the loading of the aircraft from a truck. This hatch design has been patented in the United States, West Germany and other countries. The lifting and movement of cargo is accomplished by a ceiling gantry crane with a lift capacity of 2,500 kg [kilograms] and on the roller tracks of roller equipment.

The pressurized compartment of the aircraft can be used to transport 58 people. On-board seating folds out and makes it possible, when stowed, to use the aircraft in other versions without hindrance. The air-conditioning system creates comfortable conditions at all altitudes up to 10,000 meters. The practical ceiling of the aircraft is 11,000 meters.

The maximum range of the aircraft with a full load of fuel is 5,000 km, and the cruising speed is 530-550 km/hr.

The An-72 is equipped with modern radio-communications and navigational equipment that provides for high precision in automatic control on the flight path and in landing approaches under difficult weather conditions day or night. The increased fields of view from the cockpit, increased informativeness of the instruments and functionally well-thought-out disposition of system elements provide for piloting under conditions of airfields with limited dimensions and takeoffs and landings at steep trajectories. Outside visibility from the cockpit corresponds to the best foreign analogues.

World records—maximum altitude of 13,410 meters, altitude in horizontal flight of 12,980 meters—were set by test pilots M. Popovich and S. Maksimov on the An-72 in 1983. In 1985 test pilot S. Gorbik set a world speed record for aircraft of this type: the An-72 reached a speed of 681.8 km/hr on a two-thousand-kilometer loop flight.

The An-72 has been displayed in 25 countries around the world. It was presented for the first time outside the borders of the country at the International Air Show at Le Bourget (France) in 1979. The demonstration of the aircraft elicited great interest among specialists and representatives of foreign firms.

#### Aircraft Design

Aluminum alloys of enhanced strength, honeycomb structural elements and composite materials were widely employed in designing the airframe. The mass of the structural elements made of composite materials totals 980 kg, which made it possible to reduce the overall mass of the aircraft by 350 kg.

The **fuselage** is an all-metal semimonocoque with longitudinal framing using beams and stringers and transverse framing using bulkheads and stressed skin. The transverse cross-section of the main frame portion of the fuselage is circular. The crew cockpit and the cargo bay are located in the fuselage. The cargo hatch, which closes with a rolling ramp, a pressure seal and a door, is located in the tail section. There are an entrance door on the left side and two emergency hatches: in the cockpit and in the cargo compartment. The entrance door opens outward in the direction of aircraft flight. The door has a control system intended for opening in flight in an emergency bailout by the crew. The fuselage is pressurized.

The bays for the principal supports for the landing gear, which are closed with doors, are located under the floor of the cargo bay. The fairings for the landing gear are along the sides of the bays on the sides of the fuselage.

The **landing gear** has independent wheel suspension. The basic support includes two struts, each of which is equipped with a braking wheel of 1,050 x 390 mm [millimeters]. The forward support is equipped with two non-braking wheels of 720 x 310 mm. The doors and fairings of the landing gear are made of composite materials.

In order to prevent the aircraft's tipping back on the tail during loading and unloading operations, two telescoping supports are installed under the threshold of the cargo door, and on the move they are stowed in the rear part of the landing-gear fairings.

The **wings** of the An-72 are high-set, cantilevered and rectangular on a plane. It is a monocoque-type wing consisting of a center section and two cantilever portions. The monocoques of the center section and the cantilever parts are hermetically sealed fuel tanks. The center section has two retractable flaps (inner) and four spoiler sections. Each cantilever part of the wing has a retractable three-panel flap (outer), three sections of retractable slats, four spoiler sections and two ailerons: root and wingtip. The ailerons have servo tabs, and the left aileron also has a trimmer. The suspension mechanisms for the flaps are covered by fairings.

A high cruising speed with a thick rectangular wing could be achieved for the An-72 through the utilization of the latest achievements of science in the realm of the aerodynamics of shapes.

The **empennage** of the aircraft is a T-shaped design to reduce the effects of the large wash behind the wing associated with the use of powerful high-lift devices with overblowing. The tail section consists of a fin with a two-section rudder. A trimmer is installed on the lower part of the second section.

The rudder has an original control system. The lower section of the second link operates directly from the pedals of the control system, and the remaining rudder surfaces are controlled by a booster. This system provides for flight safety when the booster fails and eliminates the necessity of having a special artificial feel.

The horizontal empennage includes two cantilevers for the stabilizer and both halves of the elevator. Each half of the elevator has a trimmer-servo tab and a servo tab. There is a deflector on the forward part of each surface.

#### Power Plant

Two D-36 ducted-fan engines designed by V.A. Lotarev with a thrust of 6,500 kg each are installed on the An-72 aircraft. The engine is of a three-shaft design with a single-stage supersonic fan, a six-step transsonic low-pressure compressor and a seven-step subsonic high-pressure compressor. The bypass ratio of the engine is six. The engines are started by the SV-36 aerial turbostarter, the air for which comes in from an on-board auxiliary power plant, ground sources or an engine of this type started earlier.

The automatic start-up, as well as the steady operation of the engine in all flight modes, is ensured by a fuel-regulating system and an electronic control system. The fuel-regulating apparatus maintains a constant operating regimen in working modes as set by the engine control levers from the central panel of the crew cockpit. The electronic control system limits the maximally allowable values of the engine parameters, and when the threshold values are reached it automatically cuts back its operating mode. The mode is moreover automatically reduced when a surge occurs.

Aside from manual, the aircraft has automatic control of engine operating modes from the SAU-72 automatic aircraft control system.

The engine oil system is a circulatory, closed and pressurized one. All units of the oil system, including the oil reservoir, are installed in the engine.

A reversing device and a flap providing for changes in the trajectory of the nozzle are located in the tail portion of the nacelle. When reverse is turned on, the lower flap of the reversing device covers the nozzle channel, while the upper part is placed over the lower with a forward inclination. The combined jet stream of the turbofan and gas-generator loops are turned up and forward as a consequence, creating a negative thrust on the flaps of the reversing device.

The auxiliary power plant consists of one TA-8 gas turbine engine with a system for tapping the air behind the compressor. The auxiliary power plant provides for the startup of the D-36 engines on the ground and in flight at altitudes of up to five thousand meters, compressed-air supply for the air-conditioning system on the

ground and power for the on-board circuitry of the aircraft using alternating electrical current on the ground and in flight up to five thousand meters.

The TA-8 engine is installed in the right fairing of the fuselage. It is started with the aid of a starter generator from an airfield source using alternating current at 27 volts or from batteries on the aircraft.

### Principal Systems

**Control system.** An electrical, hydraulic and mechanical system has been installed on the An-72 aircraft that provides for control of elevators by trimmer-servo tab, rudder control with trimmer, and ailerons with a trimmer and spoiler-ailerons. The aircraft control system includes takeoff and landing devices: flaps, slats, stabilizer deflectors and spoilers.

The mechanical linkage for control of the ailerons of elevators and the rudder are hooked to the rudder machinery of the autopilot of the SAU-72 automatic aircraft control system. The steering channel of the system is used for damping yaw.

The aircraft has dual control. It is accomplished from the right and left pilots' locations with the aid of command elements or the on-board automatic aircraft control system. The control of the trimmers is by electrical remote control.

A stopping system that is brought into action using electrical devices is envisaged for locking the rudders and ailerons on the hardstand. The control of these electrical stopper devices is accomplished by a lever on the left side of the central panel of the crew cockpit.

The **hydraulic system** of the aircraft consists of two systems: a left and a right. They serve to supply AMG-10 working fluid for the aircraft control-system and high-lift device drives, raising and lowering the landing gear, turning the wheels on the forward support, braking the wheels, controlling the cargo door, windshield wipers, engine reverse thrust, emergency opening of the entry door, and lowering and raising the supports under the threshold of the cargo door.

A hydraulic pump with variable productivity with drive from the engine serves as the principal source of pressure in each hydraulic system.

The left hydraulic system has an electric-drive pumping station and a power unit with hand operation that serves as a reserve source of power. The pumping station supplies hydraulic fluid for users in ground maintenance of the aircraft and recharging the batteries of the parking brake. A pump with manual drive is used to perform operations in controlling the cargo door when the power sources are turned off, as well as for recharging the hydraulic tanks.

The injection lines of the hydraulic system are joined by a cross-feed valve which allows the use of the pumps to power any user and provides for the operation of both hydraulic systems from one of the engines or, with the failure of the one of the pumps, without breach of the system seal. Both systems have individual hydraulic tanks that are united by design into a single unit supplied by a supercharging system.

The **fuel system** includes seven wing-section tanks with an overall capacity of 16,250 liters. The tanks are divided into four groups for the issue of fuel: zero, one, two and three. The feed tanks are the tanks of the third group, which have the service cutoffs. The zero-stage tank with a capacity of 2,395 liters is used as the reserve and is fueled only for long-distance flights.

The feed to the engines is autonomous: the left engine is fed from the tanks in the left half-wing, and the right from the right half-wing. The main engine feed lines are interconnected with a cross-feed valve.

The power for the auxiliary power plant is accomplished from the main fuel line for the left engine or from a feed pump for the auxiliary power plant installed in the right tank of the third group. Control of the refueling and issue of fuel according to the assigned program is performed automatically by the fuel control and measuring system or manually.

The fuels used, with deicing additives, make it possible to accomplish refueling at a temperature of five degrees Celsius and below.

Tank drainage is accomplished through the zero-stage tank, communicating with all tanks and the air by pipelines.

The emergency draining of fuel is done from the fuel issue system by turning on the booster and transfer pumps. The drain valves are located on the right side of the engine nacelles. It can also be drained through the sediment dumping valves that each tank has.

The **fire-protection equipment** includes a fire signal system, a fire-extinguishing system, portable hand fire extinguishers, a system to signal engine overheating and an inert-gas system.

The fire-extinguishing system is controlled electrically from a panel in the cockpit. The aircraft is equipped with an inert-gas system providing for the creation of an explosion-proof environment in the tanks in order to protect the fuel tanks from explosion in flight.

In order to reduce the danger of a fire breaking out on the aircraft, fire-proof screens that impede the spread of fire, the corresponding configuration of the units, systems and equipment, the employment of fire-resistant materials and drainage places for possible accumulations of lubricants are all envisaged on the aircraft as well.

An emergency automatic actuation of the fire-extinguishing system by a mechanism located in the lower part of the fuselage is envisaged to avert the outbreak of fire when landing with retracted landing gear.

The **air-conditioning system** is designed in a right and a left system that are intended to condition the air in the crew cockpit and the cargo bay respectively. Air intake for the air-conditioning system is accomplished from the quarter stages of the high-pressure compressors of each engine or from an auxiliary power plant.

The air-conditioning system can operate on the ground and in flight (including takeoff) with air intake from engines operating at no less than idling and, on the ground, with air intake from an auxiliary power plant as well.

The system can also operate as a refrigerator. In that case the cargo bay is transformed into a refrigeration chamber.

The control of the air-conditioning system is accomplished automatically with the aid of the automatic pressure- and temperature-regulation system or manually. Signal lights in the cockpit allow monitoring of the operation of this system.

**Pneumatic system.** It serves for the pressurization of units of radio-electronic gear and regulating the pressure in the air tires of the main landing gear. The pressurization system provides a pressure of 0.9-1.1 kg/cm<sup>2</sup> at all aircraft flight altitudes and in all engine operating modes.

The pressure regulation system for the tires is intended to ensure a set pressure in the tires depending on the mass of the aircraft and the state of the runway for the purpose of improving the passability of the aircraft on dirt airfields.

Air intake for the pneumatic system is accomplished from the air-conditioning system.

**Oxygen equipment.** When the barometric pressure drops in the pressurized cockpit, as well as to protect the breathing organs and vision from smoke and toxic gases that are given off in a fire, the crew members and passengers are supplied with oxygen. The equipment includes two tanks with 10 liters in each, three sets of oxygen equipment for the crew members and a piping system with individual points for hooking up oxygen masks in the cargo compartment.

The **deicing system** protects the aircraft from icing at outside air temperatures to minus 30 degrees Celsius. The deicing system consists of air-heated and electrically-heated systems.

The air-heated system protects the slats, stabilizer deflectors, leading edge of the fins, engine air intakes and air intakes of the fuel-tank drainage system from icing. The electrical-heating system is intended for heating the windshield of the cockpit, pilot static tubes and total head tubes. The cockpit windshield is also equipped with two wipers with hydraulic drive for removing the water of melted ice and snow.

Air intake for the deicing system is done after the third step of the high-pressure engine compressor for the engine air intakes, and from the air conditioning system for the wing and tail deicing system. The system can be turned on automatically by signal of an icing signal device or manually. The system can only be turned off manually.

**Loading system.** The aircraft is equipped with roller-bed equipment to position and fasten down the cargo being transported in containers or on skids. The rollers provide for the movement of cargo in loading and unloading, as well as in parachute airdrops. This equipment even makes it possible for a single person to move cargo weighing up to two tons with ease.

The loading of self-propelled wheeled vehicles is accomplished on the cargo-door ramp under their own power. Stencils have been put in the cargo compartment of the aircraft that define the procedure for loading, positioning and unloading cargo.

The **basic electrical supply system** is a network of three-phase alternating current at 200/115 volts. The electrical-supply system of 36 and 27 volts for on-board users is secondary, since the principal sources—transformers and rectifiers—convert the electric power of the electrical supply network at 200/115 volts. The units of the electrical supply system operate simultaneously, each for its own group of buses, forming independent channels. With the failure of any source in the power system, its buses are automatically switched to an operating electric-power source.

The electrical supply systems are automated, which in the majority of cases does not require the use of manual switching operations when faults appear in the system. Various types of protection that automatically shut off a failing power source or a faulty section of the distribution network are also envisaged.

A static transducer that converts the direct current from the batteries into single-phase alternating current is an emergency source of electric power for three-phase alternating current. An airfield power plug installed on the right landing-gear fairing provides for the hookup of the on-board network to a 27-volt ground source.

The **piloting, navigational and radio communications system** provides for high precision in piloting the aircraft on the flight path and in landing approach in difficult

weather conditions day and night. The piloting equipment has specific features for airfields with limited dimensions. Takeoff and landing are accomplished at those airfields at steep trajectories. This requires increased fields of view from the cockpit in the up and down directions. The time for pilot operations with control elements is reduced. All of this was taken into account by the designers in planning the crew cockpit.

The cockpit configuration of the An-72 is executed based on a comprehensive ergonomic analysis of the "crew-aircraft" system. The positioning of control panels, indicators and the overall planning of the cockpit provide for the comfortable operations of the crew members at all stages of the flight. The use of such means of information depiction as dynamic graphics displays, LED displays and centralized signal systems with the guaranteed attraction of attention at the crew stations make it possible to reduce the burden on the crew considerably.

#### Specific Features of Operation

The aircraft crew consists of three people—the commander, co-pilot-navigator and flight engineer. The craft is simple to control. Pilots that have earlier flown the An-24 and An-26 aircraft can quickly master the An-72.

The An-72 can be operated autonomously outside the base airfield for the course of a month or a hundred hours of flight time.

The An-72 surpasses the An-26 by half again in speed, range and ceiling, and has double the cargo capacity of its predecessor, which makes shipping using it twenty-five percent cheaper.

The new An-72 transport aircraft created by the collective of the Antonov OKB has completed all-round testing. It flew over almost the whole Arctic coast of our country in 1987, covering twenty thousand kilometers under the conditions of polar night. The aircraft has also landed at SP-28 and SP-30 stations, where the runways are no longer than 650 meters. But it needed just 350 meters to land. These flights confirmed once again the merits of the new aircraft.

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### RAIL SYSTEMS

**New Commercial Railroad Bank Created**  
18200373 Moscow GUDOK in Russian 21 May 89 p 2

[Article by GUDOK commentator M. Kaganskiy: "Now We Have a Bank Too"]

[Text] *The founding meeting of the stockholders of the new joint-stock commercial bank for USSR rail transport—Zheldorbank [Railroad Bank]—was held recently.*

*Practically all the railroads of MPS [Ministry of Railways] along with the Soyuzzheldoravtomatizatsiya [All-Union Railroad Transportation Automation] NPO [Scientific Production Association], the Orgtekhstroy PO [Production Association], VNIIZhT [All-Union Scientific Research Institute of Railroad Transport], the Skills Enhancement Institute, USSR Sberbank [Savings Bank] and USSR Zhilsotsbank [Bank for Housing and Municipal Services and Social Development] became shareholders in it. The statutory fund of Zheldorbank is 100 million, with 70 million paid. First Deputy Minister of Railways V. Ginko was elected chairman of the bank council, and Yu. Kondratyuk has been named chairman of the board.*

How dynamic the times are today! Just a few years ago, the concepts of "commercial" and "joint-stock" were extremely remote ones for us, but now... Economic laws dictate their own rules, and money seeks its best application.

Today the railroad sector is attached to USSR Promstroybank [Industrial Construction Bank]. It issues credit and performs transactions. And dependence on it has forced us to be reconciled to all the manifestations of monopolism: far from always high-quality service, delays in transactions, sometimes even losses of documents and money. As First Deputy Minister V. Ginko has noted, sometimes you have to spend months going from office to office with a simple question at that venerable institution.

The railroad workers decided to break the iron curtain of monopolism. Not in an off-hand manner, but having looked into the experience (the customary slowness of the sector has an effect here) of the truckers, sailors and aviators, who have already created their own specialized sector banks. And they saw that it was worthwhile.

The initial paid fund of the new bank did not exceed 70 million rubles. Not so very much. But even this capital, quite modest on a sector scale, makes it possible to circulate credit of almost one and a half billion rubles.

The first step is the hardest. It has not been ruled out that Zheldorbank will with time become the leading transport credit institution and combine its finances with the capital of its colleagues. The logic of sensible management suggests such a strategy in any case. The attraction of the funds of sector consumers, say, the coal workers and metallurgists with a vested interest in the stronger development of railroad transport, would also be a logical step, it seems.

Money, as is well known, loves to circulate. It will seek out the sphere of application or new markets that are more advantageous, where there is more profit. And how could the railroad workers not be occupied with such income matters on that plane? The sector is a mobile one, it operates around the clock. Communications—a



most important and indispensable component of financial affairs—are some of the best here. The computer equipment of the enterprises on the network is also not bad. All of this creates preconditions for successful financial operations.

It is no accident that Sberbank and Zhilsotsbank have decided to invest their money in the new offspring. The railroad sector, in the acknowledgment of their management, is too tasty a morsel, promising the good placement of capital, to let such a profitable matter pass.

What will the new bank be engaged in?

"Issue credit, perform transactions, provide teller services," relates the just-named chairman of the board of Zheldorbank, Yu. Kondratyuk, a professional banker with over 20 years of work experience in the USSR Gosbank [State Bank] and USSR Vneshekonombank [Bank for Foreign Economic Activity] systems. "The more solidly we get on our feet, the greater the sphere of services we will take on. And in the future, possibly, we will issue shares of stock, bonds, foreign currency and other securities and attract the funds of the population (at good interest rates, naturally)."

Has the ice really begun to break? It looks like it. The creation of such an institution, after all, is a visible manifestation of economic methods of management.

It is still far from an icebreaker, of course, but the cracking of hardened dogmas in the finance and banking mechanism can be heard distinctly. How many years we preached the limited nature of the law of value and money-exchange relations under socialism! We offered prayers to the centralized distribution of all and everything... We will evidently have to eat and taste the fruits of that arrogant attitude toward objective economic laws and of incompetent leadership for quite some time still.

And yet signs of the new times, times of demonopolization of the accustomed excessively centralized structures, are visible. There are hundreds of major banks abroad. We have just a few. And they figure heavily with their "fortress" of captive clients, but they cannot manage intelligently the monetary mass in circulation in the country. It is no accident that a persistent epidemic of creating banks independent of them has begun. There are dozens of commercial, innovation and other banks operating today that unite voluntary stockholders. And billions are circulating in sectors that have way less money than the railroads. The profit alone there is about five billion rubles. There is something to "trade in."

As they say, good luck! I just want to wish the new bank that the main thing in its work be that which is implicit for such types of institutions—make money.

I would like to hope that that is what will happen. That the stockholders will begin to fight for the multiplication of their capital, and correspondingly for the development of the bank, as the true owners of it. The shareholders are getting a firm grasp—one became convinced of this at the founding meeting of the new bank. A representative of the October Railroad, by way of example, displayed obstinacy.

"As a shareholder who has invested a million rubles, I insist on the introduction of changes to the bank's draft charter," he declared at the top of his multiple-share "voice."

So judging from everything, the shareholders are taking on the role of owners.

Banking is a special business. It requires great professionalism. It is obvious that the chief task today is to staff the subdivisions of Zheldorbank with first-rate specialists.

The creation of a major sector bank, it seems, has been of some concern to the chief of the Administration for Organizing Credit and Financing for Transport and Communications Enterprises of USSR Promstroybank, S. Pochtarev.

His statements sounded an unambiguous threat to crush his rivals, shutting off credit granted to them. Once the railroads have free money to put into Zheldorbank, he says, they don't need any loans.

All right, competition dictates its own laws. We will have to become accustomed to it as well as to much more. But competition is not a game without rules. There are moral and other norms here as well. And the main thing is that all parties be put under equal conditions. In this case, Comrade Pochtarev has emphasized once again that Promstroybank is seemingly acting as a benefactor, forgetting that it is authorized by the state. That is, the issue is not competition, but rather about the very bureaucratic manifestations of monopolism that all have already grown tired of cursing.

Something else is noteworthy as well: we will keep our clients with better service, promised Pochtarev. That acknowledgment is worth much. After long years of fortress-like dependence, a choice for the consumer has just begun to dawn, and they are already beginning to fight for him, albeit just with promises of better service so far. That is a hopeful sign.

But competition cannot help but be alarming anyway. It is undoubtedly largely restricted (so far, in any case) by various forms of state regulation. An exceedingly serious approach to the postulation of new matters for the railroad workers is required nonetheless.

It seems that the issue of operators, accommodations and equipment will be settled with time: the railroad workers have strong enough "magnets" pulling toward the rails. I have something else in mind here—banking policy. We sometimes too often invent the "bicycle" in places where people are already riding them everywhere. There is perhaps some sense in attracting imported specialists and organizing a joint venture to train bank managers.

It is obvious that the recently created association of commercial banks, uniting several dozen of these institutions, should have its say in the training of personnel, the devising of credit policies for these banks and the resolution of other issues.

The aid of the association is also not superfluous because the new businessmen (this concerns all finance people, by the way) will have to operate under conditions that are abnormal from the point of view of classical financial relations. A system of taxation of the profits of enterprises has not been devised here, after all, and there are not even any clear conceptions of many banking operations. And that promises no few difficulties.

I want to believe that the departments that are engaged in collecting taxes will get some common sense and set not a "suffocating" rate, but rather a sensible one allowing them to get solidly on their feet, for the young commercial banks at first.

It is a busy season for the finance people of Zheldorbank. There is hardly any time left before July 1, when its doors are thrown open, and they are up to their ears in work. The sailors have a good wish for success—seven feet under the keel. What words "of our own" of equal value can we find? Let the junctions be wide-open and there be a velvet and safe track. And the main thing—safes full of "resourceful" money.

### **Rolling Stock Condition, Repairs Examined**

18290183 Moscow GUDOK in Russian 19 May 89 p 2

[Commentaries by railroad specialists: "Not with Agreements, but with the Ruble"]

[Text]

#### **Khabarovsk**

The damage to the cars on the Far East mainline is causing great alarm. As a result of reducing the staff of car maintenance inspectors, 24-hour monitoring of the rolling stock is not ensured at equipment transfer points and when detaching cars at the hump yards of sorting stations. At the largest junctions at Khabarovsk, Ussuriysk and Komsomolsk-on-Amur, there are only one or two car maintenance inspectors. How much rolling stock is smashed up at the seaports, where grabs are used to unload timber and coal! Last year 1,339 units

went out of order here, and 1,425—at the descents to the approach tracks. On the whole for the road in a year almost 3500 cars were damaged, and 800—since the start of the present year.

Can the situation concerning maintenance of the equipment in the transport service be corrected? I think so, if all the workers involved, from the bottom to the top, will take the trouble to do this. Unfortunately, so far the road's proposals to the main car administration on discontinuing grab unloading of the rolling stock, particularly at river and sea ports, and the material responsibility of the clients are left hanging.

Yu. Dolgoplov, car maintenance inspector of the PTO [technical inspection point for railroad cars] of the Khabarovsk-1 station, feels that there must be a revision of the procedure for drawing up the reports of form VU-25 on the damage to the cars, which must absolutely have the signature of the director of the enterprise which permitted the breakage of the rolling stock. This places the inspector in the role of suppliant: after all, with the transition of the enterprises to cost accounting, it has become a very difficult task to get the guilty director to agree to sign the reports. A fine without acceptance must be introduced, that is without the signature of the defendant. Let the latter run to the courts, proving his innocence. After this marathon hardly anybody will feel like violating the technology of the operations and breaking the car. The prestige of the inspectors will rise, too.

P. Kokurin, a work veteran from the car depot at Khabarovsk-2, proposed transferring all the problems pertaining to maintaining the rolling stock to the jurisdiction of the stations. The transport workers themselves will make the settlements for the mutilated cars with the enterprises. Along with introducing advanced equipment and technology for materials-handling and shunting work and strict monitoring of maintenance, this will permit a considerable reduction in the amount of rolling stock in a state of disrepair.—S. Krasilnikov

#### **Vorkuta**

In 1988 the repairmen of the Vorkuta Division had to get 113,000 railroad cars into better sanitary condition. The number of cars in bad repair, however, was much greater. The point is that the miners of Vorkuta and Inta had taken some of the trouble on themselves.

It is not the first year that the Northern Railroad Administration, Vorkuta Division, has been waging a battle against the flow of "sick" cars. The result is not so far reassuring, however. They thought that the situation would improve with the transition to cost accounting, they said that it would not be advantageous for the related workers to work "on fines." Oh, no! Everything remains as before. The point is obviously that having taken the decisive step in relation to the dirty cars (here the fines struck quite a substantial blow in the pockets of the negligent ones), the Northern Administration did not establish material responsibility for the ones that were in disrepair.

The situation is even more complex with respect to loaded "sick" cars. As a rule it is impossible to determine the break before the unloading. Indeed, in general there

is no one to do it. While before there was at least some monitoring by the acceptance workers, recently they have been substantially cut back.

Empty cars in poor condition most often come from the Oktyabr and Moscow roads. They are as a rule revealed as early as at Vorkuta. This means that this rolling stock simply cannot be shipped back. They do not forget about the Vorkuta and neighboring divisions of their own mainline: no, no, they throw in the "sick" ones. Then they have to engage in repair—after all, the division is a cul-de-sac. What then? There is nothing for the neighbors to rack their brains about—where to get spare parts and materials and how to find people to put the cars in good shape after unloading. After all, the local repair base is one of the powerful ones on the Northern road. There is just one question—is this technology advantageous?

Even without intensified calculations it is obvious: sending each "sick" car for thousands of kilometers and repairing it at Zapolyarye is two or three times more expensive than in the south. Add to this the cost of transporting the spare parts, the difficulties with training specialists and the need for constant development of the depot, fitted out with equipment? You get an impressive sum.

The most surprising thing is that the number of "sick" cars keeps increasing every year.

"Twenty years ago," says Ye. Zhuravlev, senior foreman of the Vorkuta Railroad Car Division, "there were four or five faulty cars left over at the end of the day. Now they have established a norm—64 a day, but even it is exceeded by 30-35 cars!

How long will the Vorkuta workers have patience, resources and funds? Particularly since the miners who are converting to cost accounting, have begun to count their money scrupulously. It is now difficult to persuade them to be a "patron", or else to perform—unpaid repair.

As before they scare you into delivering the "sick" cars with stern shouts and orders, but not with economic measures. Naturally, there is little sense in this. The opinion of the specialists is unanimous: the negligent must be hit with the ruble, and at the same time the system of technical service and monitoring must be changed. The positions of technical agent, train foreman and chief conductor must again be introduced. Why not conclude contracts between the divisions and the roads on mutual responsibility for the maintenance of the rolling stock? The Vorkuta workers, incidentally, made this proposal to their colleagues from the Northern Railroad, but it found no support.

For many years the coal miners of Vorkuta, the railroad workers of the Northern and the metallurgists of Cherepovets have been taking part in a competition, "coal-metal-ore-transport." Also entering it are the transport workers of the Oktyabr mainline, the mining-enriching combines and the Vtorchermet enterprises. Many of the cars are handled at the giant northwestern polygon. Why not instill into the competition, which, it must be said, is gradually dying out, a new impulse, and use the additional possibilities that the economic reform gives?—A. Tretyakov, string correspondent of GUDOK

#### Orel

The empty runs, on which the cars travel with unclosed, bent doors, torn-off sides and other signs of disrepair, are a direct threat to the safety and movement of the trains. Why are consists of these trains not formed and sent off on a route? After all, the rules and instructions do not permit such a "luxury." The answer is simple—irresponsibility. The inspectors do not make claims against the commercial service workers, and the cars are taken from the unloading sites with remnants of freight. The transport workers try to push the rolling stock away as quickly as they can. The acceptors and station chiefs have reduced their exactingness toward the consignees....

Instructions and telegrams concerning the maintenance of the rolling stock are fully adequate. There is no strict monitoring of their execution, however. The cars are smashed and broken. Each division of the road works out its own measures to maintain the working fleet.... As a result, cars in disrepair are brought together from one division to another. The initiative of the Moscow workers with respect to repair of rolling stock by the industrial enterprises is of a more formal nature....

I think that the cars must be repaired at the site and that there must be rigid monitoring, so that not one "sick" or doorless car goes out from the division. This rule is violated—payment is from its own pocket. That is economic responsibility.—A. Shchekotikhin, Traffic Safety editor

Logically, this selection requires a commentary. What is there to talk about, though? After all, the subject of rolling stock maintenance has not left the pages of GUDOK for years, and the situation is not only not being corrected, but is becoming more and more alarming. That is why we granted specialists of the Main Railroad Car Administration the right to give their comments.

#### Deputy Clarifies Rail Ministry Statute

18290167a Moscow GUDOK in Russian 21 Apr 89 p 2

[Interview with V. N. Ginko, first deputy minister of railways, by GUDOK editorial staff: "The 'Decree' on Independence"]

[Text] Recently GUDOK published the USSR Ministry of Railways' Statute on the Railroads (in its 5 April issue). What prompted the appearance of this document? What is new in it? V. N. Ginko, first deputy minister of railways, responds to these and other questions at the request of the editorial staff.

[Ginko] This is an exceptionally dynamic time. In just a few years after the April 1985 Plenum of the CPSU Central Committee, which was crucial for the country's future, the economic life of the society and economic conditions have gone through a remarkable change. The Law of the USSR on the State Enterprise made its appearance and many sectors, including ours, shifted to cost accounting and self-financing, and economic methods are replacing the administrative methods of management. Naturally, the basic normative documents which regulated the railroads' activity in the past have been outdated, and they have had to be brought into conformity with the new economic mechanism.

Introduction of the Statute on the Railroads as legislation consolidates their rights and responsibilities which enable them to carry out economic activity efficiently under the conditions of fundamental restructuring and establishes the conditions to meet the growing requirements of the national economy and the public for transportation in a timely manner with high quality. And this, as you know, is our most important task.

Along with the railroads' traditional functions, the statute reflects new ones as well—protection of the environment, production of consumer goods, provision of services to the public and to enterprises, and the development of leasing and cooperatives. The mutual relationships between a railroad and the subunits that are part of it, as well as with the ministry, are defined by the statute.

[GUDOK] What is fundamentally new in the present Statute on the Railroads?

[Ginko] I would like to emphasize this feature first of all: the statute was approved by the USSR Council of Ministers, not the Ministry of Railways, as the previous one was in 1974. This attests to the government's increased attention to the problems of a such an important sector as ours. Incidentally, an even earlier statute—in 1951—was also confirmed by the USSR Council of Ministers.

The current statute clearly defines what a railroad is. The statute established that the railroad is the basic component in railroad transport—a complex association which carries out its activity on the basis of the Law of the USSR on the State Enterprise (Association) and the principles of full cost accounting and self-financing, which combines economic methods of management with centralized guidance of the transport process.

The statute defines a railroad's structure. The basic component is the railroad division, which acts in conformity with the status of a production association. The railroad includes structural units which are directly subordinate to it.

[GUDOK] Line enterprises that were previously independent—depots, stations, and subdivisions—have also become structural units now. Won't this reduce their efficiency?

[Ginko] Some 92 percent of the sector's employees are concentrated in the structural units, and about 90 percent of all expenditures are related to them. And the sector's success or failure depends to a large extent on whether they feel they are the managers of production here and whether they organize efficient internal production cost accounting.

For this reason, the statute provides for extension of the rights of labor collectives compared with the rights of a structural unit established in the Law on the State Enterprise. They have been delegated a number of the powers of an enterprise. As an example, Point 4 states: the railroad and the division, proceeding from the requirements for efficient organization of the transport process and in conformity with Article 5 of the Law of the USSR on the State Enterprise, grant structural units which have a separate balance the necessary rights for the selection, placement and training of personnel, for the social development of labor collectives, the organization and payment of wages, and extending credit and record keeping, as well as other areas of activity.

But of course, we must understand that the independence of structural units is still limited to a certain extent. These are the specifics in our case. After all, a structural unit has no finished product, and it therefore does not have the main characteristic of an enterprise.

The product of railroad transport—transportation—is realized only within a railroad division of one or even several railroads. Moreover, the common technology of transportation requires a corresponding centralization of management, which unquestionably limits the effect of the Law on the State Enterprise on the railroad. The current statute, in particular, also reflects the fact that the activity of railroad transport, because of its specific nature, is not completely confined within the framework of the Law on the State Enterprise. In accordance with Article 25 of this law, the specific features of its application in individual sectors of the national economy are determined by the USSR Council of Ministers. These features as applied to railroad transport enterprises are reflected in the statute.

[GUDOK] Can you tell us about the features in a little more detail?

[Ginko] The main one—realization of the bulk of the finished product—takes place within the limits of several railroads. Hence the centralization of rights with respect to the management and planning of transportation. Along with this, the extension of the rights of structural units which I mentioned has been provided for. Taking into account the features of railroad transport work, its role in the life of the country, and the high level of

responsibility, the principle of appointment by election is not extended to the chiefs of railroads and divisions—they are assigned. And the chief of a railroad is assigned to his position and relieved of it by the USSR Council of Ministers at the representation of the MPS [Ministry of Railways].

[GUDOK] What is the reason for this step?

[Ginko] The main reason is the exceptionally important role and responsibility to the state for providing the national economy and the public with transportation, for traffic safety, and for the safety of the freight that is transported.

All the most important features of the railroads are the consequence of the unity of the technological process of transportation on the entire railroad system, which are fully apparent only in the sector's headquarters. Hence the necessity of establishing, reorganizing, and abolishing enterprises and structural units, including those which are part of railroad divisions and other associations associated with the organization and implementation of the transport process, only by decision of the Ministry of Railways.

[GUDOK] But won't it turn out that the ministry's employees, with the aid of this point, will stifle a new structure they do not like which may emerge in the midst of a railroad?

[Ginko] I think that ideas such as this come from lack of understanding of the place and role of railroad transport in the economy and the localistic approach. We are already encountering such cases now at times. Certain railroad managers are refusing new equipment and specialists because they must now pay for them themselves, and not out of the ministry's purse as they used to. From the viewpoint of momentary gain, the advantage is obvious. But what will happen tomorrow when little interests these managers? For this reason, we cannot allow strategic oversights and we have the obligation to prevent any manifestations which have a negative effect on the work of railroad transport.

As far as the progressive structures are concerned, we have a general plan for development of the sector which allows for sufficient variety in organizational structures without interfering with the development of untraditional forms of them. A striking example is the Central Asian Railroad, where the Tashkent Division was abolished. They suggested a form of transport management there which makes it possible to do without the usual division on an open line for several hundred kilometers. There are those who support such a solution on other mainlines as well.

Generally, speaking, I want to say that the new statute provides significantly greater independence to railroads and their subunits in resolving local problems. Practically all personnel rearrangements in railroad subunits

before, for example, were made only at the order of the ministry. Without the ministry's authorization it was impossible to make staffing changes in a depot, as an example. Now, under the law the railroad division itself determines the size of the work force and the number of skilled employees within the limits of the wage fund that is formed or it may grant this right to the depot.

Or planning questions, let us say. The railroad now adopts the annual plan for transporting freight and passengers independently on the basis of the state order and planned figures cited by the ministry.

Independence and responsibility are inseparable. By being in charge of transport volume, the railroad is obligated to include all the freight declared in the plan, in full. For this reason, the railroad has been granted the right to determine the annual (allocated quarterly) and monthly transport volume by railroad divisions, as well as to set the norm for rolling stock operation.

The railroads acquire all rights in planning shipments, and they have the responsibility for the collection of orders and the economic justification for transport volumes; they have the obligation to examine these documents and to coordinate decisions jointly with the consigning enterprises. The principal requirement in planning is to ensure that freight shipments are complete and handled in good time.

The railroads' rights in the conduct of investment policy and financial and economic operations, as well as in foreign economic cooperation and many other forms of activity, have been extended in conformity with the principles of full cost accounting and self-financing.

[GUDOK] The railroad is the higher organization in relation to all the subunits which are part of it. For this reason, as they say, it can exert pressure and compel something to be done not by the force of reason, but by an order. But under cost accounting conditions this can cost a great deal, in the true sense of the word.

[Ginko] Under the Law on the State Enterprise, the railroad is obligated to provide conditions for the efficient operation of its subunits and to strictly observe their rights. And this has been reflected in the statute. Thus, the railroad has the responsibility to ensure that the commitments with respect to its divisions and enterprises are fully carried out in a timely manner. Financial losses of divisions and enterprises caused by the railroad are subject to compensation by the railroad under the legislation in force. Under the Law on the State Enterprise, disputes on compensation for financial losses caused by higher organs are settled by the state arbitration organs.

[GUDOK] Until recently we have had occasion to hear quite a lot on the railroads: there is no Statute on the Railroad, they say, and this is impeding the work.



[Ginko] The lack of such a statute really did hold back the railroads' initiative and reduce their efficiency. If it had appeared in 1987 at the same time as the Law on the State Enterprise and the statute on the shift to cost accounting, we could have avoided many problems.

The general Statute on the Railroad Division appeared practically at the same time that the Statute on the Railroad was published. Based on this document, the chiefs of railroads are to draft and adopt statutes on each division, taking into account the specific features of its production and economic activity and its social area, without allowing deviations from the requirements of the law and the features defined in the Statute on the Railroads.

The chiefs of MPS administrations have been charged with completing the drafting of general statutes on structural units associated with the transport process and sending them to the railroads as soon as possible. The chiefs of railroads and divisions also have been directed to draft and adopt regulations and statutes on the enterprises and structural units that are not connected with the organization and implementation of the transport process which are part of the railroad and division, respectively.

So the railroads, divisions and enterprises will have all the necessary regulatory documents. By knowing their rights and obligations and skillfully making use of them, the collectives of the railroads and their subunits should become the instruments of their own prosperity by meeting the needs of the national economy and the public for transportation with good work.

#### **Collegium Investigates October Rail Traffic Safety Laxity**

*18290167b Moscow GUDOK in Russian 4 May 89 p 2*

[Report on Ministry of Railways Collegium proceedings: "Monitoring Traffic Safety"]

[Text] The Ministry of Railways Collegium has reviewed the condition of traffic safety on the October Railroad and heard explanations in this connection from Comrade Zaytsev, chief of the railroad, and Comrades Omelchuk, Aksenenko and Gustov, the railroad's deputy chiefs.

The collegium noted that after the serious crash of express train No 159, the "Aurora," in the Bologoye Division, the traffic safety situation has not improved on the railroad. There have been four more crashes and four accidents, three involving passenger trains. And this year there were ChP's [accidents] in the Leningrad-Moscow and Petrozavodsk Divisions because of breaks in the rails.

Unsatisfactory current maintenance of the track also was the cause of cars being derailed at the Ruchy station in the Leningrad-Finland Division, which caused service to be completely interrupted in the section for about 2 hours.

As indicated by the investigation materials and the checkups being conducted, the continuing accidents on the railroad are chiefly the result of a superficial approach to the organization of traffic safety by the managers of the railroad and the services and divisions of the railroad. The chief of the railroad, Comrade Zaytsev, and the deputy chiefs, Comrades Aksenenko, Gustov, and Omelchuk, did not take appropriate steps to eliminate the shortcomings in maintaining the technical facilities, to reinforce technical discipline, to improve work with personnel, and to mobilize railroad workers in the struggle to lower the accident rate, and they have resigned themselves to cases of misrepresentation in accounting for traffic safety violations. The chief of the railroad, Comrade Zaytsev, has not always gone out to investigate the crashes.

An extremely poor state of affairs continues in track maintenance. The condition of the track has deteriorated and the degree of deterioration has increased. In a number of sections of the railroad, traffic speed is not being restricted where the track condition is unsatisfactory and certain defects are not corrected for an extended period of time. Track maintenance on the Pestovo-Sonkovo, Leningrad-Volkhovstroy, Sosnovo-Episenavaara, Yanisyarvi-Suoyarvi-Zastava, and Medvezhya Gora-Idel-Kamenogorsk-Svetogorsk sections is especially unsatisfactory. The situation is not being stabilized in the Bologoye Division of the railroad, either.

Traffic safety has also deteriorated in the transport area, where there have already been two accidents this year, including one with a passenger train, and the number of breakdowns has increased. Matters have not been put in order to prevent the spontaneous movement of rolling stock, and the technical training of station employees is not at the proper level. Absence of control over dispatch operations has led to an increase in violations of the work and rest routine for locomotive brigades.

The traffic safety situation in the passenger administration is not being improved. The number of cases of cars uncoupling from passenger trains has increased. There are shortcomings in the maintenance and repair of cars in the "Aurora" train. The number of cases of cars that have uncoupled from trains because of technical defects and journal box friction has increased. The numerous cases of failure in the operation of STsB [signalization, centralization and blocking] installations are continuing, the number of malfunctions in track circuits has increased, and not all the arrival and departure tracks of stations are equipped with devices to determine if a track is in use.

Serious miscalculations are being made on the railroad in selecting personnel and bringing the work force up to strength. The insufficient number of track repairmen and brigade leaders, track repair inspectors, traffic inspectors, and operators of flaw detection trucks is a source of particular concern.

As before, the inspection staff of the administration and divisions of the railroad is performing poorly in reinforcing traffic safety. The deputy chief of the railroad—and the chief inspector for traffic safety—Comrade Omelchuk, is not displaying the necessary energy and exactness in preventing accidents.

The collegium demanded that the managers of the October Railroad and the chiefs of services and divisions review the traffic safety situation on the railroad in detail, draw the appropriate conclusions, and take drastic steps to correct the unsatisfactory situation. It was ordered that a specific plan to eliminate the shortcomings in all areas of activity be drafted and carried out.

**Tynda Conference Examines BAM's Future**  
*18290164 Moscow GUDOK in Russian 27 Apr 89 p 3*

[Report by GUDOK correspondent T. Andreyeva:  
"BAM [Baykal-Amur Mainline]: On the Last Lap"]

[Text] A joint out-of-town session of the collegium of the Ministry of Transport Construction and the RSFSR Council of Ministers Presidium Commission on Construction and Economic Development in the BAM Zone has been held in Tynda. The participants discussed and outlined steps for putting the Baykal-Amur Mainline into continuous operation throughout its entire length as a startup complex in 1989.

Those involved in the work were optimistic that the BAM would be turned over on time and with good quality. V. Gorbunov, chief of the Baykal-Amur Mainline, spoke about this at the conference. This is a common cause, he believes, and the railroad workers are participating directly in the startup preparations for this reason. There will be no intervals between the times that the mainline is turned over, accepted, and put into operation.

The optimism of the line's managers evidently can also be explained by the fact that the transit freight flow for it has already been determined. Nine pairs of freight trains are ready even now to turn off the Trans-Siberian Mainline onto the BAM. True, this is only a warmup for such a strong mainline. But there is still a great deal to do before the iron horse is saddled. In particular, construction of the Angarakan-Taksimo and Taksimo-Chara startup complexes and the Severomuysk tunnel bypass are to be completed. In addition, the railway troops should turn over their section from Zeysk to Tungala.

Altogether, about 600 kilometers of track and hundreds of production and social projects remain to be commissioned. So much for 1 year still has not been put into operation on the BAM.

Ye. V. Basin, chief of the "BAMtransstroy" PPSO [possibly: Industrial Production and Construction Association] and deputy minister of transport construction, cited these figures as a comparison: construction and installation work valued at 43 million rubles was completed on startup complexes in 1988, but this figure must be tripled this year. Is it practicable? The construction workers believe it is. By turning over one startup section in June and one in November last year, they gained time and managed to prepare good starts on new projects.

The year began without any delay. More than one-fourth of the annual plan was put into operation in startup complexes in the first quarter. But, as the association chief noted, this pace is not satisfactory today. The point is that the line is planned for startup not at the end of the last quarter, but at its beginning, in order to "run in" the line thoroughly and adjust the equipment so that the BAM works like clockwork in the new year and recovers the funds invested in it.

The pace must be speeded up for this. They must utilize a minimum of 14 million rubles for construction and installation work every month, not 11 million rubles as in preceding months. The people, equipment and resources—all this has already been concentrated in the startup sections. Meetings of headquarters staff personnel are held every month on the route for efficient supervision of the construction. In general, the offensive is being conducted on a wide front, according to plan. All the same... The situation at certain projects gives cause for concern.

The open route of the Severomuysk Range bypass with a gradient of 18,000 is considered the most complicated of the startup complexes. Yefim Vladimirovich Basin said that this is the BAM in miniature, where there is everything: the permafrost, rock streams, tunnels, bridges, and viaducts. Construction of it was undertaken 3 years ago when it became clear that the Severomuysk tunnel would not be completed before 1992, and taking trains over the existing bypass with its gradient of 40,000 is not only difficult, but dangerous.

The project was not provided for by the plan. Complications arose with the financing, naturally. On top of everything, the surveys, project planning and construction of the new route began at practically the same time, which also entailed additional problems, but the construction workers undertook the job, realizing that the BAM would not start up without the bypass.

This is the situation today: the superstructure of the line has been installed on 15 of the 54 kilometers, erection of the catenary system supports has begun, and one of the four ETs [electric centralization of switches and signals]

stations has been turned over for equipment installation... The figures on plan fulfillment are impressive, but something else can be seen behind them in bypassing the "hurdles" a bit too much. Thus, because bridges were not ready, the "Nizhneangarsktransstroy" Trust was forced to lay the track from five directions by measuring out connectors between the routes of the old and the new bypasses. Twelve bridges are still not ready for track laying to proceed. They are being built by the "Mos-tostroy-9" Trust, and it has been let down in turn by the suppliers: the plants in Kurgan, Ulan-Ude, and partly in Voronezh. They were late in shipping the bridge framework components. The construction workers are also holding up the track laying: two tunnels are still being driven. So it is most likely that the notorious shock work will not be avoided here—too much work is left for the final months.

The same problems exist on the Agarkan-Taksimo section. The rail line has already been completely turned over for installation of the catenary system, but because of the Kurgan plant's failure to adhere to the times for delivery of the 200-ton rigid crosspieces, separate points cannot be turned over for installation. The Nazarovo plant of the Ministry of Power and Electrification is in no rush to turn out 197 tons of metal structures for the traction substations on the Taksimo-Okusikan route, either.

The sponsors are creating "obstacles" here and there as well. Thus, construction workers from Uzbekistan are building the settlement of (Kuandu) in the Chita section. They have already turned over an outpatient clinic, a nursery school, and a rest home for locomotive brigades, and they are completing a school and a terminal... Everything is fine, but the Fergana DOK [wood processing combine] is systematically disrupting the delivery of KPD [large-panel housing construction] components. Because of this, the operations workers may have no place to live.

The information presented to the collegium by the railway troops' leadership also is cause for concern. Construction of the settlement of Izhak in the eastern section of the BAM is not going well—help is needed from the (Ulyanovo) sponsors. There are not enough working hands in Tungala, which is being built by workers from Novosibirsk. They are waiting for reinforcements from Saratov at the Fedkin Klyuch siding.

Relationships with suppliers have become complicated as well. This is related to the decentralization of deliveries and the shift to supply under direct contracts. This has not turned out to be a simple matter. They invite the plant managers to conclude a contract, but the latter say: "Oh, no, we have not had dealings with you before, and there are no grounds for a contract." Well, all right, they make arrangements with the ministry, which gives instructions to the plant, but the plant says: "No, we will not deliver to the BAM because it is not to our advantage." Or even better, they begin bargaining: you give us

lumber, we will give you cement, or we will give you a machine tool and you give us a bus. The chief of the "BAMtransstroy" Association even mentioned this at an oblast party conference: "They are forcing us to exchange a diesel engine for toilet bowls. Isn't this really robbery in broad daylight?"

Slogans of the type "Give the green light to BAM orders" were lost without a trace long ago. As a result, in the startup year on the BAM, they don't just come with an outstretched hand, as at some shabby project. Here are the figures cited in the collegium: they are lacking 30,000 tons of cement, 4,900 tons of metal, including 140 tons of shaped deck plating [profnaстил] and 1,500 tons of oil pipeline pipe.

There are serious problems with equipment as well. Despite the fact that two special groups were set up under the Board of Directors for Construction of the BAM and the GUMTO MPS [Material and Technical Supply Main Administration, Ministry of Railways] to speed up deliveries and shipment of equipment from the supplier enterprises, a number of problems have not been resolved to date. As an example, communications and electrical engineering equipment, as well as equipment for engineering support facilities. The situation is aggravated by the fact that the territorial organs of Gosstab—Amurglavsnab, Chitaglavsnab, and Irkutskglavsnab—are doing everything possible to avoid concluding agreements for the delivery of materials and procurement for the projects. What is even worse, not even the quantity of resources subject to delivery has been determined thus far.

The attitude of the local authorities to the All-Union construction project has been graphically demonstrated by this fact: the Amur and Chita Oblast Ispolkoms cut back the BAM workers' funds for meat products by 1,000 tons and dairy products by 340 tons this year, compared with last year. They probably decided there that it would be more convenient for the BAM workers to prepare to turn over the railroad by tightening their belts a little more.

Minister of Transport Construction V. A. Brezhnev asked Comrade Shekemov, deputy chairman of the Chita Oblast Ispolkom, who was present at the conference: "What is the oblistpolkom waiting for—an outburst of dissatisfaction among the population?"

"I am not prepared to answer with respect to commodities," Shekemov said.

He is not prepared because they are not interested in the Chita Oblast Ispolkom, as well as in the others, how the BAM workers are faring. So it turns out that the minister's office at times seems closer to the BAM than the offices of certain oblast officials. "Local organs must turn their attention to the construction project," the

minister believes. The organizations and suppliers looking after the BAM must renounce their "collective selfishness." The entire country began building the line, and we must all finish it together; we cannot forget that the BAM benefits us all...

As Vladimir Arkadyevich explained, by holding this session out of town, the collegium set two important objectives: to attract attention to the project and to resolve the most urgent problems in the startup.

But one more problem has arisen at the same time, and it is also important: what will happen to the BAM after it is turned over? This concern was heard in the statement by V. Aliferenko, deputy chairman of the Amur Oblast Ispolkom. The railroad is being prepared to be turned over, he said, but what conditions have been established for people to live on it? Of course, the pace of social and cultural construction has been speeded up considerably lately, but they have not made up for what has been missed for 10 years. Out of the 16 settlements in the Central Section, only half will be fully commissioned. The rest are in the startup complex. This means they will be without hospitals and commercial and public centers. There will not be enough housing, even if everything is put into operation according to plan. After all, the BAM towns and settlements were planned in accordance with old standards. In addition, nearly 50 million rubles less than planned were allocated for the BAM construction this year. Consequently, the startup complexes will be adjusted, and most likely not at the cost of production facilities by any means.

Just when and who will finish building all of this? And most importantly, what funds will be used if the USSR Gosplan, and possibly the USSR Council of Ministers, cuts back even further?

Deputy Minister of Railways N. Isingarin expressed apprehension that the press will take advantage of this situation and begin causing a stir throughout the country: they are putting a railroad that is not finished into operation, they will say. Think of the cost of just one headline in KOMSOMOLSKAYA PRAVDA: "The BAM Has Stopped Rolling."

L. Gorshkov, chairman of the RSFSR Council of Ministers Commission on Construction and Economic Development in the BAM Zone, had a different point of view. The problem is not with the press, he believes, but with us ourselves. We must change our attitude toward social construction and establish control to ensure that everything necessary for normal living on the BAM is built. How can we allow this, for example? We have turned over Chara, but the settlement has no drinking water.

They agreed on one thing: they must insist that the Gosplan not encroach upon the funds allocated for the BAM project and not reduce the financing after the railroad is turned over for continuous operation. They may have to direct this request to the government.

"We, as well as the entire country, have an interest in this mainline," N. Isingarin said. "As far as those who oppose its construction are concerned, they were on the Trans-Siberian and the Turkestan-Siberian Mainlines at one time, too. A good argument in this controversy will be the successful startup of the BAM, when the trains will go faster over it than on the old Transsib..."

The railroad's managers are confident that this will take place and that the long-awaited hour is not far off. The construction workers are on the final lap. Only let us not shout "hurrah" about this. The completion is an intermediate step, a short working holiday, after which the workdays will resume again on the construction project.

## MARITIME AND RIVER FLEETS

**Quality, Modern Equipment for Ships Lacking**  
*18290173 Moscow VODNYY TRANSPORT in Russian*  
*20 Apr 89 p 2*

[Article by V. Kontsedalov: "Lost Decades, or How the USSR Minsudprom [Ministry of the Shipbuilding Industry] Is Not Providing the Fleet With Modern Equipment"]

[Text] I have had occasion to be on ships of the "Pobeda" type more than once. At first glance, everything seems sound, and the living accommodations and working areas are clean and comfortable.

Let us go into the engine room—outwardly everything is in the same condition. But behind the wall of apparent well-being the old equipment looks out in mute reproach. This is the scene on lighters of the "Aleksy Kosygin" type, general-purpose dry-cargo vessels of the "Vitaliy Dyakonov" type, bulk carriers of the "Boris Butoma" type, tankers of the "Krym" type, and multi-purpose vessels of the "Vitus Bering" type.

And it is being asked here: when will domestic industry stop delivering "ancient" equipment which ultimately threatens the seamen's lives? Our newspaper has already reported on such a case.

Let us remind you. In the roadstead of the Arkhangelsk commercial seaport a fire broke out on the icebreaker "Vasiliy Pronchishchev" of the Northern Shipping Company. The Kharkov Machine Building Plant of the Mintyazhmash [Ministry of Heavy, Power and Transport Machine Building] had sent the ship a defective connecting rod for the main engine. The price for the negligence proved to be too high—three sailors died, not to mention the hundreds of thousands of rubles in financial loss to the shipping company.

I think the USSR Ministry of the Shipbuilding Industry, the basic customer for complete sets of maritime equipment, did not get down to business properly and compel its suppliers to improve their work.

Judge for yourselves. A joint decision was made in the early 1970's by the USSR Ministry of the Maritime Fleet, the USSR Ministry of the Shipbuilding Industry, and the USSR Mintyazhmash on shifting maritime diesel generators of the DGR 500/500 type to motor fuel (DT) [diesel fuel]. This is still a pressing problem to this day, incidentally.

So the work was begun on the instructions of the MSP [Ministry of the Shipbuilding Industry, Minsudprom] as far back as 1972. In 5 years testing of the DG [diesel generators] with motor fuel were conducted successfully. In 6 more years they made a decision at the level of the VPO [All-Union Industrial Association] "Soyuzdizelmash" to convert the series diesel generators to DT. All this time the seamen have been waiting impatiently for the output of the Plant imeni 25 October. But as it turned out, it has not even started to work.

After repeated persistent demands from the MMF [Ministry of the Maritime Fleet], the Minsudprom once again gave a similar assignment to the plant, which it had already paid for in 1972, incidentally. But again there was silence. The persons at the plant do not want to lift a finger.

What was the result? The DGR 500/500 diesel generator was not turned out. Millions of rubles were thrown to the wind for 17 years of "work."

The fate suffered by the starting air compressors was no better. A decree by the GKNT [State Committee for Science and Technology] in 1970 provided for manufacture of the type "K" starting air compressors at enterprises of the USSR Minkhimmash [Ministry of Chemical and Petroleum Machine Building]. At this time compressors turned out in the late 1950's were being used in the fleet. Patches on patches, and spare parts were nowhere to be seen. For this reason, a timely decision was made to replace the old type of compressors with a new one. Far from it. The enterprises were idle for 7 years. Then in 1977 the USSR Gosplan again obliged the Minkhimmash to provide for series production of a wide range of type "K" compressors. But the ministry simply turned its back on the Gosplan, and in 1980 the Ministry of the Maritime Fleet had to refuse the compressors. The result was 10 years of futile work and the public's money lost once again.

And only in 1982 was a joint decision made by the Ministry of the Shipbuilding Industry and the Minkhimmash to develop a new series of the MVU type. After 5 years of laborious work the Minkhimmash submitted its creation for testing, which was conducted on ships of the "Pobeda" type of the Novorossiysk Shipping Company. Many defects were brought to light. The slipshod workers promised to correct all the shortcomings. But after 7 years (!!) the Ministry of the Maritime Fleet and the Ministry of the Shipbuilding Industry admitted that the "corrected" compressor was useless.

The Ministry of Chemical and Petroleum Machine Building has not developed a domestic maritime starting air compressor for 20 years. Why? In many respects because of the lethargy of the Ministry of the Shipbuilding Industry, which did not exert any influence on the process of developing compressors which meet operational requirements. Moreover, the department is continuing to provide vessels with old equipment.

And another side of bureaucratic indifference. Generators in the MSS, GMS, and MSK series with a static system of excitation are being installed on modern domestic vessels. They were developed in early 1970. Technically they are significantly inferior to the generators on foreign ships which have a brushless system of excitation; their functional and dimension indicators are inferior and the labor-intensiveness of technical maintenance is twice as high. The development and introduction of domestic brushless generators have been drawn out intolerably, although the technical specifications were coordinated and approved in 1972. The USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry] planned series production of generators of the 2SN type for 1980. And what happened? There still aren't any to this day. And the manufacturers point to the production workload as before.

Repeated appeals by the Ministry of the Maritime Fleet to different organizations of the Minelektrotekhprom and the Ministry of the Shipbuilding Industry have been unanswered. Moreover, the manufacturer—the Baranchinskiy Electromechanical Plant—reported early last year that it is discontinuing further work on the 2SN series because its technical level is already inferior to foreign models in a number of parameters.

So I want to say—here is a fine how-do-you-do! Some 20 years of paper-shuffling instead of work, and what is the result?

On the whole, if we are speaking about the products list of maritime equipment, the problem is that it is very difficult to provide a modern ship with equipment which is the best from the standpoint of technical features, which is up to date, and which meets cost requirements. And the Ministry of the Shipbuilding Industry simply does not have any. Why?

Work to improve and develop new types of maritime equipment is proceeding slowly. This not only forces us to put large-sized, cumbersome, energy-consuming machinery that is labor-intensive to maintain on the ships, but it also puts in question the ability to achieve the proper technical level for ships in the future. Essentially no effort is under way to speed up the development of complete units of basic maritime equipment. Work on maritime automation facilities with microprocessor componentry is in critical condition. Moreover, the requirements of maritime machine building for machinery are insignificant. So we need not speak about series production.



On the other hand, specialists of the Ministry of the Maritime Fleet set strict requirements for the items being delivered: high reliability, minimal labor input, and maximum resistance to external conditions.

The combination of these factors also has led to the point that the fleet is poor today and has no up-to-date and reliable equipment.

What now? the responsible departments finally made up their mind to work out a program of actions for the long term. And in 1984 they made up a "paper" in the Ministry of the Shipbuilding Industry—the "List of complete sets of equipment needed for shipbuilding in the 1995-2000 period." After a year they worked out another one—the "List of complete sets of equipment of subsupplier ministries," made up of 160 items. As of today, only 140 of them have "survived." Where did the rest of them disappear to? They only make a helpless gesture in response to this question at the Ministry of the Shipbuilding Industry.

Here it is—bureaucracy in all its glory, lack of incentive to develop small series and complex and new types of equipment. Why be cunning, they will engage in sabotage here as well, as long as they keep their own peace. And that is why the "paper" on the equipment most needed by the seamen grew thinner by 20 points. And no justice will be found with the drafters. The Ministry of the Shipbuilding Industry has nothing to do with the problems of maritime transport and its technical reequipment.

Such a position does not suit the Ministry of the Maritime Fleet, of course. In 1974 the Ministry of the Shipbuilding Industry and the Minelektrotekhprom were ordered to develop an overall system for the protection of ship generators. There is considerable experience in their operation on ships of foreign manufacture. But the Ministry of the Shipbuilding Industry, without doubting for a moment, as they say, burst through the open door and spent 6 years in research on what was known long ago. The Minelektrotekhprom wasted another 3 years after this. Well, what was the result? Nothing, no industrial development to date.

The electric drives for machinery on domestic vessels today are furnished as part of the control equipment produced on the basis of the KM-2000 switches developed in the mid-1950's. The case is clear—they do not meet the technical parameters and are not reliable in operation. A technical assignment to develop starters of the PMS series was coordinated 16 years ago. Experimental models of them were accepted after 4 years by an interdepartmental commission, but again, there has been no industrial assimilation.

What has led to such deplorable results? In my view, one thing—the compromising policy of the Ministry of the Shipbuilding Industry with respect to contractor ministries. I do not dispute that something may be understood

in this. The department has contract commitments with subsuppliers, and try not to carry those out. Threats and punitive sanctions await you here. For this reason, the Ministry of the Shipbuilding Industry was forced to accept the equipment thrust upon it. It in turn attempts to push it off on the Ministry of the Maritime Fleet in order to stop up its holes and fulfill the plan to deliver ships to its customer. And it takes it, since there is simply nowhere to go. After all, a plan is already being sent out for a new diesel vessel.

One need not be a Solomon to understand that if this situation continues in the future, the entire program that has been planned will burst like a soap bubble. If that is the way it is, where are the guarantees that the Soviet fleet will ever see modern equipment for itself some day?

What needs to be done to avoid such an unenviable fate?

I think that first of all, the Ministry of the Maritime Fleet must display firmness and principle in dealing with the Ministry of the Shipbuilding Industry. Simply put, it must reject vessels with old equipment.

The Minsudprom, in turn, should restructure itself once and for all and realize that there is no one else to answer for all the processes associated with the organization of shipbuilding, and there will be no others. Is it worth mentioning that the ministry should have begun this work yesterday?

Contractor enterprises should be concerned that their product conforms to the world level and not set a pedestal for itself. But in principle, enterprises may not know what the Ministry of the Maritime Fleet, for example, will require in the year 2000. Here the role of the Ministry of the Shipbuilding Industry should be in the forefront as well. But at present, strangely enough, the Ministry of the Maritime Fleet has a better idea of the ship of the future than the Minsudprom, where ships are under construction on the slips. But after all, this department reigns over all the questions in developing a motor vessel—organizational, technical, scientific, and so forth.

What is seen as a way out of the blind alley of "the lost decades?" It is finally time to consider domestic shipbuilding a most important national program and to develop the complement and technical operating features of basic equipment units, to look into the most economically efficient ways for domestic industry to produce and deliver them in cooperation with CEMA member countries in joint ventures with foreign firms.

The USSR Ministry of the Shipbuilding Industry should be given the opportunity to acquire individual types of equipment units abroad when production in the USSR is not practical for one reason or another.

Joint ventures should be established, utilizing the facilities of the Ministry of the Shipbuilding Industry, the Ministry of Instrument Making, Automation Equipment, and Control Systems, and the Ministry of the Maritime Fleet, with one of the leading foreign firms to produce automation facilities with microprocessor componentry for maritime use.

And finally, the question of expanding scientific research and planning and design work for the long-term development of vessels and the organization and procedure for financing this work should be resolved.

The sad lesson of the lost decades should not be repeated. Technical progress in maritime transport must be given the "green light" at last.

#### **Deputy Minister Comments on Nuclear Lighter Issue**

18290168 Moscow VODNYY TRANSPORT in Russian  
27 Apr 89 pp 1-2

[Article by N. Tsakh, deputy minister of the maritime fleet: "The Nuclear-Powered Vessel 'Sevmorput': What Next?"]

[Text] The VODNYY TRANSPORT editorial staff has received a letter signed by N. Tsakh, deputy minister of the maritime fleet, which reads as follows:

"In connection with a number of letters sent to the editorial staffs of central newspapers and the publication of negative opinions on the USSR's first nuclear-powered transport vessel 'Sevmorput' and the system utilizing lighter transport technology which is being introduced in the Minmorflot [Ministry of the Maritime Fleet], we are sending you official material which we believe it is expedient to publish in forthcoming issues in order for readers to form an objective opinion on the questions concerned."

We are publishing this material without proofreading or abridgments.

The accident at the Chernobyl AES which took 29 lives and involved vast expenditures to correct brought to light serious shortcomings in organization of the station's maintenance and the low level of work on actions by personnel to put an end to accidents, and it confirmed the need for careful handling of the powerful forces called upon to serve the common good. After the Chernobyl tragedy, any information related to nuclear power engineering is interpreted with a certain bias. This is furthered by the tendentious articles appearing in the press and the radio and television broadcasts which have a certain orientation—to prevent the construction of new nuclear power stations, the development of nuclear power engineering, and extension of the range of its use. At the same time, the scientific achievements in perfecting reactors and increasing the reliability of protection against radiation (the development of systems for the automatic regulation of reactor capacity, efficient means

of shutting down a reactor, and so forth) which have been incorporated in the new generation of reactors here and abroad are being ignored. The voice of nuclear power specialists in defense of nuclear power engineering is lost in the general negative mood which is being skillfully utilized by antisocial elements.

There are no alternatives to nuclear energy sources, the supplies of organic fuel are running out, and the mood should be not one of opposition to nuclear energy, but of how to make nuclear installations absolutely reliable and safe, how to ensure effective protection against radiation, and finally, how to reduce the effects of accidental radiation exposure to the maximum extent. Intensive introduction of nuclear power engineering in the national economy will make it possible to discontinue the use of energy sources which pollute the environment more rapidly and reestablish ecological balance.

Maritime transport is one of the energy-intensive sectors of the economy. Every year ships of the Ministry of the Maritime Fleet alone consume about 8 million tons of fuel, emitting thousands of tons of the products of combustion into the atmosphere. For this reason, one of the directions for economic and social development adopted by the party and the state is the development of transport vessels with a nuclear power plant (YaEU). The building of the USSR's first nuclear-powered transport vessel—the lighter carrier-container ship "Sevmorput," which was put into service at the end of 1988, was a realization of this decision. The basic mission of the ship is to deliver cargoes to regions in the Far North. Accordingly, its hull was designed and built for the highest ice category, "ULA" (reinforced for Arctic ice). The vessel can navigate independently, without the help of an icebreaker and without stops, in solid ice up to 1 meter thick. In designing the reactor for the ALV [nuclear-powered lighter carrier] "Sevmorput," the experience accumulated in operating nuclear-powered icebreakers and theoretical studies by Soviet and foreign nuclear scientists were utilized to the full extent. The vessel completely meets requirements of the Code of Safety for Nuclear-Powered Commercial Vessels of the International Maritime Organization and the standards and rules of national inspection organs. The means of protection from radiation used in designing the reactor and the structural solutions fundamentally rule out accidents such as the one at Chernobyl. The ship is equipped with an auxiliary power plant which ensures the fitness for operation of all units and machinery and provides for a speed of 10.5 knots.

During the Arctic navigation season, the ALV "Sevmorput" will make trips with cargo in lighters for consignees in the Far North which are dependent on shallow-water maritime and river ports. For this purpose, it is planned to deliver small lighter carriers for mixed maritime and river navigation which transport lighters with cargo from on board the mainline lighter carriers to points on the Kolyma, Yana, Anadyr, and Kamchatka Rivers and back. In the period between navigation seasons, the

lighter carrier-container ship "Sevmorput" will be used basically on foreign routes. Taking into account the predicted increase in container shipments to Magadan and Petropavlovsk, the possibility of using the nuclear-powered vessel in its container version during the winter season is envisaged. There are no objective obstacles to the delivery of an ALV for the routes to Magadan and Petropavlovsk (after construction is completed on the container terminal at berth No 13). The problems raised by the Magadan dock workers as arguments against the ALV putting in at Magadan are now being resolved; at the request of inspection organs and the public in Magadan, additional studies are being made of the consequences of a "hypothetical" accident.

As far as the port's lack of economic incentive to accommodate a large-capacity container ship equipped with an on-board reloader is concerned, this is a puzzling argument. It is common knowledge that high intensity of cargo operations (and hence the port's profits and the dock workers' earnings) is achieved when ships of larger capacity (container capacity) are processed.

It is obvious that the basic reason for opposition from the dock workers and the public of Magadan to having an ALV stop there is the lack of timely information on the vessel. The management of the Far Eastern Shipping Company and the Magadan port have not organized a competent explanation and study by the city's specialists of the vessel's structural details, which has provoked a wave of unjustified rumors.

The uniqueness of the ALV "Sevmorput," the increased requirements for reliability of the nuclear power plant, and the overall increase in prices for materials and equipment are the reason for its high construction cost, which is 1.6 times as much as its planned cost. The correspondingly high amortization deductions determine the overall level of the vessel's operating expenditures, and it does not appear possible to provide for its profitable operation under existing tariff conditions. (Nearly all the new additions to the fleet are unprofitable—the cost of 1 deadweight ton has increased by 2.6 times as much while the tariffs are practically unchanged.) At the same time, the expenditures for fuel for the ALV are substantially less than for a diesel vessel of similar capacity and power-to-weight ratio. For "bunkering" the ALV requires several dozen kilograms of enriched uranium once every 3 or 4 years. Over the same period a diesel vessel of comparable tonnage would consume over 100,000 tons of organic fuel, which is in short supply under conditions in the Far North.

Operation of the ALV "Sevmorput" as a transport unit separate from the system utilizing lighter carrier transport technology (LTTS) is unprofitable for the sector, although when the ALV is considered in combination with other components of the LTTS (the main and feeder diesel lighter carriers and the lighters) which provide for

continuous delivery of cargoes to regions in the Far North that are not easily accessible, a positive national economic gain is achieved through:

- use of the direct method of cargo handling at base ports, elimination of a warehousing operation and expenses associated with accumulating cargo until there is a shipload;
- elimination of intermediate transshipments of cargo and the losses that accompany them;
- acceleration of cargo delivery to the consumer, increased reliability of the transport production line, and more opportunities to reduce reserve stocks of industrial commodities and foodstuffs. At present, a two-year supply is accepted as the norm in the Arctic zone, which leads to deterioration of commodity and material values and high losses for the national economy. Reduction of the reserve stocks and expenditures to build and maintain warehouses, and eliminating the use of aircraft to deliver the cargoes needed for enterprises provides many millions in savings;
- release of shipboard personnel and dock workers by reducing cargo transshipments along the route and reduction of standardized social, cultural, and everyday expenditures (the less people, the less expenditures for housing, services, bath houses, hospitals, clubs, and so on);
- savings in fuel resources;
- a relative reduction in general-purpose tonnage and use of it on other routes; and
- a decrease in the demand for vessels in Arctic navigation and the building of less expensive tonnage for operation in maritime waters that do not freeze.

The overall national economic gain, according to estimates by the TsNIIMF [Central Scientific Research Institute of the Maritime Fleet] provides for reimbursement for the system utilizing lighter transport technology over 10 to 11 years, even in spite of the high cost of adding a nuclear-powered vessel and the level of operating expenses which it involves.

Nevertheless, until the high efficiency in utilizing a lighter carrier system in the Arctic and the Far East has been confirmed, the decision was made to postpone construction of a second nuclear-powered icebreaker-transport.

As far as use of the technology with diesel lighter carriers in other waters is concerned, we can point to the profitable operation of the lighter carrier system by the Soviet Danube Shipping Company, where six lighter carriers provide for one-quarter of the company's profit; the Black Sea Shipping Company is operating two lighter carriers of the "A. Kosygin" type on the Vietnam route

with positive financial results—net foreign exchange receipts of about 8 million rubles per year. In carrying capacity, the two lighter carriers have taken the place of 10 to 12 large-capacity general-purpose vessels.

The lighter carrier system is going through an experimental period in the Far East at present. Use of the lighter carrier technology has made it possible to partially resolve the problem of transporting cargoes to points with roadstead processing such as Beringovskiy, Lavrentiya, and Ust-Kamchatsk, and to shorten layovers of general-purpose vessels in Vietnam. However, for a number of reasons of an organizational and commercial nature, profitable operation of the system is not being provided for: the carrying capacity is not being utilized to the full extent (60 to 65 percent) and there are three extra lighter units needed for operation of the ALV "Sevmorput" which the shipping company has to have in its balance; the LV [lighter carrier] "A. Kosygin" was under repair for 116 days in 1988, as opposed to the 99 days planned; and our Vietnamese partners are not regularly processing the lighters in the times agreed upon, which leads to disruption of the schedule for operation of the lighter carriers and additional expenses for the lighter fleet.

Because of the lethargy of employees in the DVMP [Far Eastern Shipping Company] commercial service, the problem of additional charges for delivering cargoes in lighters to points with roadstead processing has not been resolved for a long period of time. The additional charge for the roadstead point has been collected from the client, but it went into the port's income. The shipowner, by providing for delivery of a cargo in a lighter to the berth, has been receiving as much as for delivery to the port's roadstead in a general-purpose vessel.

All these matters are being resolved in stages at present, which will make it possible in the coming year or two to begin profitable operation of the LV "A. Kosygin." In order to improve the utilization of carrying capacity in the system and loading the lighter carrier with imports, regular stops at ports in Thailand, India and Malaysia are being worked out. Constitutive documents on the establishment of a Soviet-Vietnamese joint venture, "Vietsovlikhter," for servicing and processing lighters in the SRV have been signed. Questions concerning tariffs when cargoes are delivered in lighters to points with roadstead processing have been resolved.

The lighter carrier system requires a high degree of organization, efficient and well-coordinated work by all parties, and an active role by the operational apparatus; in this case its effectiveness is not in question.

#### **Civilian Nuclear Fleet Personnel Replacements Pondered**

18290180 Moscow VODNYY TRANSPORT in Russian  
11 May 89 p 2

[Interview with A. Sinyayev, deputy chief of the Murmansk Shipping Company, chief engineer for nuclear powered units, by V. Kikinov: "Who Will Succeed the Veterans?"]

[Text] The tragedy at Chernobyl and the nuclear-danger situation that occurred on 11 November last year on the nuclear-powered icebreaker Rossiya have given rise to completely substantiated doubts as to the safety of using nuclear power for peaceful purposes. Questions have arisen in this connection concerning the competence and qualifications of the personnel serving nuclear units. After all, the safety of the environment and of the people and animals in the vicinity of dangerous objects depends to a great extent on this.

In recent years, in Murmansk—the port of registry of the Soviet nuclear-powered fleet—new nuclear icebreakers have appeared, which are successfully engaged in escorting transport convoys along the Arctic Sea route. After all, their service requires competent specialists, and in addition, the nuclear-powered fleet will in the near future grow by several more units.

Just who will come to take the place of the veteran nuclear power workers? Our string correspondent speaks about this with A. Sinyayev, deputy chief of the Murmansk Shipping Company, chief engineer for nuclear-powered units.

[Kikinov] Aleksandr Kirillovich, right now seamen are, to put it bluntly, unwilling to go to work in the nuclear-powered fleet. While in former years enthusiasts came here, now the seamen, after completing their studies, try to get onto transport ships and to go overseas.

Right now veterans of the nuclear-powered fleet are preparing, as they say, for a well-deserved rest, and the problem of training replacements is becoming very critical. What ways of training specialists for nuclear-powered ships do you see today?

[Sinyayev] We have created a specialist department at the Leningrad Higher Engineering Nautical School imeni Admiral S.O. Makarov. The department produced a full complement of students for the first time this year. We should subsequently develop this system. Beginning in October 1989, navy trainer-simulators will begin operation to train and retrain specialists. In this way a unified system will be created to train qualified personnel for the nuclear-powered fleet.

Of course, we have been delayed quite a bit by creating this training center. If you recall, the first decision of the collegium on this question was made in 1979. It was very difficult to find developers and contractors to create the trainer.

We have an idea for the future—creating a trainer directly on a nuclear-powered icebreaker. It will probably be quite complicated to create in full-scale form, but the most critical elements of the nuclear-powered unit will be in this trainer.



A great deal of work still has to be done on the plan for training nuclear-power specialists. We have already taken the first and main step, however. We plan that the new group selected for the special department will undergo good trainer preparation beginning in October.

[Kikinov] Will all the Murmansk citizens who wish or have shown a preference be taken into the special department? After all, the possibility must not be ruled out that those from out of town will not wish to go to Murmansk after their studies. Indeed, the problem with housing for them is also difficult to solve. Is it not better to send their grants from the shipping company?

[Sinyayev] Mainly graduates of the higher nautical educational institutions will come to our special department. We have arranged with the directors of the Murmansk Higher Engineering Nautical School of the Ministry of the Fish Industry that some of the young people from various courses be directed to the LVIMU [Leningrad Higher Engineering Nautical School] for training as specialists for the shipping company. It will doubtless be advantageous for us that more Murmansk citizens study at the special department and are returned to their native city. I think that the native Murmansk citizens are more reliable for us in this plan. Indeed, strictly speaking, the young people themselves obtain a specialty which is applicable not only to work in the nuclear-powered fleet, but in practice in any sectors of the national economy.

In addition, to attract the most capable young people to the special department, we have come forth with a proposal for the ministry on increasing the grant for future nuclear-powered specialists who train at the LVIMU. The shipping company, in order to interest the young people, will produce payment in addition to the existing grants for the students.

After the well-known events at Chernobyl, the attitude toward nuclear power on the whole changed, and not for the better. A certain amount of time is needed to break down this stereotyped thinking. You can blame equipment for stress, but the main factor always and everywhere is—the people. It is precisely for this reason that today we are paying such fixed attention to training the personnel. The high quality of the specialist training, the

high demands on it and the self-discipline—these are the parameters in accordance with which we should select the specialists for the nuclear-powered fleet. I think that all the measures adopted will yield a return.

[Kikinov] Aleksandr Kirillovich, this year is the 30th anniversary of the “grandfather” of our nuclear-powered fleet—the nuclear-powered Lenin, and there are plans to abandon the ship. Cannot it not be used as a training center?

[Sinyayev] I feel that the operation of the nuclear-powered icebreaker Lenin must finally be ceased, and for its further fate.... Unfortunately, we have not yet come to a conclusive solution, even though in principle it can still be used as a museum and as a training center for practice for those same students at the nautical school. Except, not just as a nuclear-powered training center, because this will arouse a new wave of various discussions and rumors about the safety of the nuclear-powered fleet.

[Kikinov] It is half the matter, let us say, to train a highly skilled specialist, but after all, the conditions must be created for him to be assigned to Murmansk.

[Sinyayev] First of all, the housing problem must be solved for this category of workers. We must solve it. In the last few years we have not approached this problem in a completely serious and responsible manner. After all, if the construction of any shore facility is in progress, the construction for it and the housing for the specialists who will work at it are immediately incorporated. This was not the case for us. Today we have practically doubled the nuclear-powered fleet, but no decisions about housing have been covered. The nuclear-powered icebreakers have been built, but the social problems have not been taken into consideration. This, I think, is an incorrect approach.

We are attempting to solve the problem through our ministry, and persistently talk about the need to assign a special social program for nuclear-powered operators, in consideration of the doubling of the fleet, but so far there is no decision. A person at sea should be peaceful in the knowledge that his family is settled, and that they can have a normal life. If the problem is not solved, the question of assigning personnel to the nuclear-powered fleet remains open.



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